

AMENDED IN SENATE JUNE 20, 2000

AMENDED IN ASSEMBLY MAY 26, 2000

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

## ASSEMBLY BILL

**No. 2700**

**Introduced by Assembly Member Lempert  
(Principal coauthor: Assembly Member Knox)  
(Coauthor: Assembly Member Thompson)**

February 25, 2000

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An act to amend Sections 22008, 22102, 22105, 22107, 22108, 22115, 22132, 22140, 22161.5, 22170, 22304, 22309, 22453, 22651, 22652, 22655, 22656, 22658, 22659, 22660, 22661, 22662, 22664, 22665, 22703, 22706, 23100, 24202.5, 24206, 24400, 24402, 24411, 24412, 24415, 24417, and 24600 of, to amend and renumber Sections 25000, 25100, 25110, 25115, 25120, and 25125 of, to amend, repeal, and add Sections 22119.2~~—and—22905~~, 22905, 22954, *and* 22955 to, to add Sections~~—22102.5~~ 22101.5, 22104.7, 22104.9, 22105.5, 22122.7, 22127.2, 22133.5, 22139.5, 22146.7, 22156.05, 22166.5, 22176, 22302, 22311.5, 22311.7, 22901.5, 22955.5, 24300.5, and 24305.3 to, to add Chapter 38 (commencing with Section 25000) to Part 13 of Division 1 of Title 1 of, ~~to repeal Section 26402 of~~, and to repeal and add Sections 22158, 22162, 22311, 22460, 22906, 23300, and 23881 to, the Education Code, relating to retirement, and making an appropriation therefor.

## LEGISLATIVE COUNSEL'S DIGEST

AB 2700, as amended, Lempert. State teachers' retirement: Defined Benefit Supplement Program.

Existing law defines creditable compensation for purposes of the Defined Benefit Program established by the State Teachers' Retirement Law. That definition excludes money paid for service performed in excess of the full-time equivalent for the position and money paid for overtime or summer school service and aggregate service performed as a member in excess of one year of service credit for any one school year.

This bill would establish the Defined Benefit Supplement Program, as specified, for members of the Defined Benefit Program, pursuant to which members and employers would commencing on July 1, 2002, make specified contributions to the Teachers' Retirement Fund based on the member's overtime, extra-curricular, and other service, as specified, thereby making an appropriation, and members would receive retirement, disability, final, or termination benefits, payable in a lump-sum or annuity, as specified. The bill would make related technical and conforming changes.

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 22008 of the Education Code is  
2 amended to read:

3 22008. For the purposes of payments into or out of the  
4 retirement fund for adjustments of errors or omissions  
5 with respect to the Defined Benefit Program or the  
6 Defined Benefit Supplement Program, the period of  
7 limitation of actions shall be applied, except as provided  
8 in Sections 23302 and 24613, as follows:

9 (a) No action may be commenced by or against the  
10 board, the system, or the plan more than three years after  
11 all obligations to or on behalf of the member, former  
12 member,—~~or~~ *beneficiary, or annuity* beneficiary have  
13 been discharged.

(b) If the system makes an error that results in incorrect payment to a member, former member, ~~or~~ beneficiary, or annuity beneficiary, the system's right to commence recovery shall expire three years from the date the incorrect payment was made.

(c) If an incorrect payment is made due to lack of information or inaccurate information regarding the eligibility of a member, former member, ~~or~~ beneficiary, or annuity beneficiary to receive benefits under the ~~plan~~ Defined Benefit Program or Defined Benefit Supplement Program, the period of limitation shall commence with the discovery of the incorrect payment.

(d) Notwithstanding any other provision of this section, if an incorrect payment has been made on the basis of fraud or intentional misrepresentation by a member, beneficiary, annuity beneficiary, or other party in relation to or on behalf of a member ~~or~~ beneficiary, or annuity beneficiary, the three-year period of limitation shall not be deemed to commence or to have commenced until the system discovers the incorrect payment.

(e) The collection of overpayments under subdivisions (b), (c), and (d) shall be made pursuant to Section 24617.

SEC. 2. Section 22101.5 is added to the Education Code, to read:

22101.5. "Accumulated Defined Benefit Supplement account balance" means an amount equal to the sum of member contributions, the member contributions picked up by an employer, employer contributions, and interest credited on those contributions pursuant to Section 25005 that are credited by the system to the member's Defined Benefit Supplement account.

SEC. 3. Section 22102 of the Education Code is amended to read:

22102. "Accumulated retirement contributions" means the sum of the member contributions, the member contributions picked up by an employer pursuant to Sections 22903 and 22904, and credited interest on those contributions. Accumulated retirement contributions shall not include accumulated annuity

1 deposit contributions, accumulated tax-sheltered annuity  
2 contributions, accumulated Defined Benefit Supplement  
3 contributions, or additional earnings credit.

4 ~~SEC. 3. Section 22102.5 is added to the Education~~  
5 ~~Code, to read:~~

6 ~~22102.5. “Accumulated Defined Benefit Supplement~~  
7 ~~contributions” means the sum of member contributions,~~  
8 ~~the member contributions picked up by an employer,~~  
9 ~~employer contributions, and interest credited on those~~  
10 ~~contributions pursuant to Section 25008, that are credited~~  
11 ~~by the system to the member’s Defined Benefit~~  
12 ~~Supplement account.~~

13 SEC. 4. Section 22104.7 is added to the Education  
14 Code, to read:

15 22104.7. “Additional earnings credit” means an  
16 amount derived from investment income for the plan  
17 year as determined by the board *by plan amendment* and  
18 added to members’ Defined Benefit Supplement  
19 accounts in addition to the amount credited at the  
20 minimum interest rate for that plan year.

21 SEC. 5. Section 22104.9 is added to the Education  
22 Code, to read:

23 22104.9. “Annuitant Reserve” means a segregated  
24 account within the retirement fund established and  
25 maintained for expenditure on annuities payable under  
26 the Defined Benefit Supplement Program.

27 SEC. 6. Section 22105 of the Education Code is  
28 amended to read:

29 22105. (a) “Annuity,” with respect to the Defined  
30 Benefit Program, means payments for life derived from  
31 the “accumulated annuity deposit contributions” of a  
32 member.

33 (b) “Annuity,” with respect to the Defined Benefit  
34 Supplement Program, means an alternative payment  
35 arrangement wherein a benefit based on the balance *of*  
36 *credits* in a member’s Defined Benefit Supplement  
37 account is paid monthly rather than in a lump-sum.

38 SEC. 7. Section 22105.5 is added to the Education  
39 Code, to read:

22105.5. “Annuity beneficiary” means the person or persons designated by a member pursuant to Section 25011 or 25018 to receive an annuity under the Defined Benefit Supplement Program upon the member’s death.

SEC. 8. Section 22107 of the Education Code is amended to read:

22107. (a) “Beneficiary,” with respect to the Defined Benefit Program, means any person or entity receiving or entitled to receive an allowance or lump-sum payment under the Defined Benefit Program because of the disability or death of a member.

(b) “Beneficiary,” with respect to the Defined Benefit Supplement Program, means any person or entity receiving or entitled to receive a final benefit under the Defined Benefit Supplement Program upon the death of a member.

SEC. 9. Section 22108 of the Education Code is amended to read:

22108. (a) “Benefit” or “benefits,” with respect to the Defined Benefit Program, means any monthly payment due a retired member, disabled member, or beneficiary, and includes lump-sum payments due on account of death.

(b) “Benefit” and “benefits,” with respect to the Defined Benefit Supplement Program, means—~~a distribution of funds that represent the balance in a member’s accumulated~~ *an amount equal to the balance of credits in a member’s* Defined Benefit Supplement account.

SEC. 10. Section 22115 of the Education Code is amended to read:

22115. (a) “Compensation earnable” means the creditable compensation a person could earn in a school year for creditable service performed on a full-time basis, excluding service for which contributions are credited by the system to the Defined Benefit Supplement Program.

(b) The board may determine compensation earnable for persons employed on a part-time basis.

(c) When service credit for a school year is less than 1,000, compensation earnable shall be the product

1 obtained when creditable compensation paid in that year  
2 is divided by the service credit for that year, except as  
3 provided in subdivision (d).

4 (d) When a member earns creditable compensation at  
5 multiple pay rates during a school year and service credit  
6 at the highest pay rate is at least .900 of a year,  
7 compensation earnable shall be determined as if all  
8 service credit for that year had been earned at the highest  
9 pay rate. This subdivision shall be applicable only for  
10 purposes of determining final compensation. When a  
11 member earns creditable compensation at multiple pay  
12 rates during a school year and service credit at the highest  
13 pay rate is less than .900 of a year, compensation earnable  
14 shall be determined pursuant to subdivision (c).

15 (e) The amendments to this section made during the  
16 second year of the 1999-2000 Regular Session shall become  
17 operative on July 1, 2002.

18 SEC. 11. Section 22119.2 of the Education Code is  
19 amended to read:

20 22119.2. (a) "Creditable compensation" means  
21 salary and other remuneration payable in cash by an  
22 employer to a member for creditable service. Creditable  
23 compensation shall include:

24 (1) Money paid in accordance with a salary schedule  
25 based on years of training and years of experience for  
26 creditable service performed up to and including the  
27 full-time equivalent for the position in which the service  
28 is performed.

29 (2) For members not paid according to a salary  
30 schedule, money paid for creditable service performed  
31 up to and including the full-time equivalent for the  
32 position in which the service is performed.

33 (3) Money paid for the member's absence from  
34 performance of creditable service as approved by the  
35 employer, except as provided in paragraph (7) of  
36 subdivision (b).

37 (4) Member contributions picked up by an employer  
38 pursuant to Section 22903 or 22904.

39 (5) Amounts deducted by an employer from the  
40 member's salary, including deductions for participation

1 in a deferred compensation plan; deductions for the  
2 purchase of annuity contracts, tax-deferred retirement  
3 plans, or other insurance programs; and deductions for  
4 participation in a plan that meets the requirements of  
5 Section 125, 401(k), or 403(b) of Title 26 of the United  
6 States Code.

7 (6) Money paid by an employer in addition to salary  
8 paid under paragraph (1) or (2) if paid to all employees  
9 in a class in the same dollar amount, the same percentage  
10 of salary, or the same percentage of the amount being  
11 distributed.

12 (7) Money paid in accordance with a salary schedule  
13 by an employer to an employee for achieving  
14 certification from a national board awarding  
15 certifications, in which eligibility for this certification is  
16 based, in part, on years of training or years of experience  
17 in teaching service, if the compensation is paid by the  
18 employer to all employees who achieved this  
19 certification.

20 (8) Any other payments the board determines to be  
21 “creditable compensation.”

22 (b) “Creditable compensation” does not mean and  
23 shall not include:

24 (1) Money paid for service performed in excess of the  
25 full-time equivalent for the position.

26 (2) Money paid for overtime or summer school  
27 service, or money paid for the aggregate service  
28 performed as a member of the Defined Benefit Program  
29 in excess of one year of service credit for any one school  
30 year.

31 (3) Money paid for service that is not creditable  
32 service pursuant to Section 22119.5.

33 (4) Money paid by an employer in addition to salary  
34 paid under paragraph (1) or (2) of subdivision (a) if not  
35 paid to all employees in a class in the same dollar amount,  
36 the same percentage of salary, or the same percentage of  
37 the amount being distributed, except as provided in  
38 paragraph (7) of subdivision (a).

39 (5) Fringe benefits provided by an employer.

1 (6) Job-related expenses paid or reimbursed by an  
2 employer.

3 (7) Money paid for unused accumulated leave.

4 (8) Severance pay or compensatory damages or  
5 money paid to a member in excess of salary as a  
6 compromise settlement.

7 (9) Annuity contracts, tax-deferred retirement  
8 programs, or other insurance programs, including, but  
9 not limited to, plans that meet the requirements of  
10 Section 125, 401(k), or 403(b) of Title 26 of the United  
11 States Code that are purchased by an employer for the  
12 member and are not deducted from the member's salary.

13 (10) Any payments determined by the board to have  
14 been made by an employer for the principal purpose of  
15 enhancing a member's benefits under the Defined  
16 Benefit Program. An increase in the salary of a member  
17 who is the only employee in a class pursuant to  
18 subdivision (b) of Section 22112.5 that arises out of an  
19 employer's restructuring of compensation during the  
20 member's final compensation period shall be presumed  
21 to have been granted for the principal purpose of  
22 enhancing benefits under the Defined Benefit Program  
23 and shall not be creditable compensation. If the board  
24 determines sufficient evidence is provided to the system  
25 to rebut this presumption, the increase in salary shall be  
26 deemed creditable compensation.

27 (11) Any other payments the board determines not to  
28 be "creditable compensation."

29 (c) Any employer or person who knowingly or  
30 willfully reports compensation in a manner inconsistent  
31 with subdivision (a) or (b) shall reimburse the plan for  
32 any overpayment of benefits that occurs because of that  
33 inconsistent reporting and may be subject to prosecution  
34 for fraud, theft, or embezzlement in accordance with the  
35 Penal Code. The system may establish procedures to  
36 ensure that compensation reported by an employer is in  
37 compliance with this section.

38 (d) The definition of "creditable compensation" in  
39 this section is designed in accordance with sound funding  
40 principles that support the integrity of the retirement



1 fund. These principles include, but are not limited to,  
2 consistent treatment of compensation throughout the  
3 career of the individual member, consistent treatment of  
4 compensation for an entire class of employees, the  
5 prevention of adverse selection, and the exclusion of  
6 adjustments to, or increases in, compensation for the  
7 principal purpose of enhancing benefits.

8 (e) This section shall be deemed to have become  
9 operative on July 1, 1996.

10 (f) This section shall become inoperative on July 1,  
11 2002, and, as of January 1, 2003, is repealed, unless a later  
12 enacted statute, that becomes operative on or before  
13 January 1, 2003, deletes or extends the dates on which it  
14 becomes inoperative and is repealed.

15 SEC. 12. Section 22119.2 is added to the Education  
16 Code, to read:

17 22119.2. (a) "Creditable compensation" means  
18 remuneration that is payable in cash by an employer to  
19 all persons in the same class of employees *and is paid to*  
20 *an employee* for performing creditable service.  
21 Creditable compensation shall include:

22 (1) Salary paid in accordance with a salary schedule or  
23 employment agreement.

24 (2) Remuneration that is paid in addition to salary,  
25 providing it is payable to all persons who are in the same  
26 class of employees in the same dollar amount, the same  
27 percentage of salary, or the same percentage of the  
28 amount being distributed.

29 (3) Remuneration that is paid for the use of sick leave,  
30 vacation, and other employer-approved leave, except as  
31 provided in paragraph ~~(5) of subdivision (b)~~ (4) of  
32 *subdivision (c)*.

33 (4) Member contributions that are picked up by an  
34 employer pursuant to Section 22903 or 22904.

35 (5) Amounts that are deducted from a member's  
36 compensation, including, but not limited to, salary  
37 deductions for participation in a deferred compensation  
38 plan; deductions to purchase an annuity contract, tax-  
39 deferred retirement plan, or insurance program; and  
40 contributions to a plan that meets the requirements of

1 Section 125, 401(k), or 403(b) of Title 26 of the United  
2 States Code.

3 (6) Any other payments the board determines to be  
4 “creditable compensation.”

5 (b) Any salary or other remuneration determined by  
6 the board to have been paid for the principal purpose of  
7 enhancing a member’s benefits under the plan shall not  
8 be credited under the Defined Benefit Program.  
9 Contributions on that compensation shall be credited to  
10 the Defined Benefit Supplement Program. A  
11 presumption by the board that salary or other  
12 remuneration was paid for the principal purpose of  
13 enhancing the member’s benefits under the plan may be  
14 rebutted by the member or by the employer on behalf of  
15 the member. Upon receipt of sufficient evidence to the  
16 contrary, a presumption by the board that salary or other  
17 remuneration was paid for the principal purpose of  
18 enhancing the member’s benefits under the plan may be  
19 reversed.

20 (c) “Creditable compensation” does not mean and  
21 shall not include:

22 (1) Remuneration that is not payable in cash or is not  
23 payable to all persons who are in the same class of  
24 employees.

25 (2) Remuneration that is paid for service that is not  
26 creditable service pursuant to Section 22119.5.

27 (3) Remuneration that is paid in addition to salary if it  
28 is not payable to all persons in the same class of employees  
29 in the same dollar amount, the same percentage of salary,  
30 or the same percentage of the amount being distributed  
31 pursuant to paragraph (2) of subdivision (a).

32 (4) Remuneration that is paid for unused accumulated  
33 leave.

34 (5) Annuity contracts, tax-deferred retirement plans,  
35 or insurance programs and contributions to plans that  
36 meet the requirements of Section 125, 401(k), or 403(b)  
37 of Title 26 of the United States Code when the cost is  
38 covered by an employer and is not deducted from the  
39 member’s salary.

40 (6) Fringe benefits provided by an employer.



(7) Job-related expenses paid or reimbursed by an employer.

(8) Severance pay or compensatory damages or money paid to a member in excess of salary as a compromise settlement.

(9) Any other payments the board determines not to be “creditable compensation.”

(d) An employer or individual who knowingly or willfully reports compensation in a manner inconsistent with subdivision (a) or (c) shall reimburse the plan for benefit overpayments that occur because of that inconsistent reporting and may be subject to prosecution for fraud, theft, or embezzlement in accordance with the Penal Code. The system may establish procedures to ensure that compensation reported by an employer is in compliance with this section.

(e) This definition of “creditable compensation” reflects sound principles that support the integrity of the retirement fund. Those principles include, but are not limited to, consistent treatment of compensation throughout a member’s career, consistent treatment of compensation among an entire class of employees, preventing adverse selection, and excluding from compensation earnable remuneration that is paid for the principal purpose of enhancing a member’s benefits under the plan. *The board shall determine the appropriate crediting of contributions between the Defined Benefit Program and the Defined Benefit Supplement Program according to these principles, to the extent not otherwise specified pursuant to this part.*

(f) The section shall become operative on July 1, 2002.

SEC. 13. *Section 22122.7 is added to the Education Code, to read:*

22122.7. “*Defined Benefit Supplement contributions*” means *member contributions and employer contributions that are credited by the system to the member’s Defined Benefit Supplement account pursuant to Section 25004.*

SEC. 14. *Section 22127.2 is added to the Education Code, to read:*

1 22127.2. “Disability benefit” means the amount  
2 payable under the Defined Benefit Supplement Program  
3 based on the balance *of credits* in a member’s Defined  
4 Benefit Supplement account to either a disabled member  
5 pursuant to Section 24005 or to a member who retired for  
6 disability pursuant to Section 24105.

7 ~~SEC. 14.~~

8 *SEC. 15.* Section 22132 of the Education Code is  
9 amended to read:

10 22132. “Employed” or “employment” means  
11 employment to perform creditable service subject to  
12 coverage under the Defined Benefit Program or the  
13 Defined Benefit Supplement Program, except as  
14 otherwise specifically provided under this part.

15 ~~SEC. 15.~~

16 *SEC. 16.* Section 22133.5 is added to the Education  
17 Code, to read:

18 22133.5. “Final benefit” means the amount payable *to*  
19 *a beneficiary* under the Defined Benefit Supplement  
20 Program upon the death of the member ~~to a beneficiary~~.

21 ~~SEC. 16.~~

22 *SEC. 17.* Section 22139.5 is added to the Education  
23 Code, to read:

24 22139.5. “Gain and Loss Reserve” means a segregated  
25 account within the retirement fund that is established  
26 and maintained to do either of the following:

27 (a) Credit interest to members’ Defined Benefit  
28 Supplement accounts at the minimum interest rate for  
29 plan years in which the board determines that the  
30 obligation cannot be met from the plan’s investment  
31 earnings with respect to the Defined Benefit Supplement  
32 Program.

33 (b) Provide additions to the Annuitant Reserve to  
34 meet the plan’s obligation for annuities payable under the  
35 Defined Benefit Supplement Program.

36 ~~SEC. 17.~~

37 *SEC. 18.* Section 22140 of the Education Code is  
38 amended to read:

39 22140. (a) “Improvement factor,” with respect to  
40 the Defined Benefit Program, means an increase of 2

1 percent in monthly allowances. The improvement factor  
2 shall be added to a monthly allowance each year on  
3 September 1, commencing on September 1 following the  
4 first anniversary of the effective date of retirement, or the  
5 date on which the monthly allowance commenced to  
6 accrue to any beneficiary, or other periods specifically  
7 stated in this part.

8 (b) "Improvement factor," with respect to the  
9 Defined Benefit Supplement Program, means an  
10 increase of 2 percent in monthly annuities. The  
11 improvement factor shall be added to a monthly annuity  
12 each year on September 1, commencing on the  
13 September 1 following the first anniversary of the date  
14 the annuity first became payable.

15 (c) The improvement factor shall not be compounded  
16 nor shall it be applicable to annuities payable from the  
17 accumulated annuity deposit contributions or the  
18 accumulated tax-sheltered annuity contributions. The  
19 Legislature reserves the right to adjust the amount of the  
20 improvement factor up or down as economic conditions  
21 dictate. No adjustments of the improvement factor shall  
22 reduce the monthly retirement allowance or annuity  
23 below that which would be payable to the recipient under  
24 this part had this section not been enacted.

25 ~~SEC. 18.~~

26 *SEC. 19.* Section 22146.7 is added to the Education  
27 Code, to read:

28 22146.7. "Minimum interest rate" means the annual  
29 interest rate determined by the board *by plan*  
30 *amendment* at which interest will be credited to Defined  
31 Benefit Supplement accounts for a plan year.

32 ~~SEC. 19.~~

33 *SEC. 20.* Section 22156.05 is added to the Education  
34 Code, to read:

35 22156.05. "Plan year" means the period of time  
36 beginning on July 1 of one calendar year and ending on  
37 June 30 of the following calendar year. For purposes of the  
38 Defined Benefit Supplement Program, the board shall  
39 designate by plan amendment the initial plan year.

40 ~~SEC. 20.~~

1     *SEC. 21.* Section 22158 of the Education Code is  
2     repealed.

3     ~~*SEC. 21.*~~

4     *SEC. 22.* Section 22158 is added to the Education  
5     Code, to read:

6     22158. (a) “Projected service” means the sum of  
7     credited service plus the credited service that would have  
8     been earned for the school years during which a disability  
9     allowance was payable if the member had performed  
10    creditable service during that time.

11    (b) Projected service for a school year shall be  
12    determined on the basis of the highest credited service  
13    earned by the member during any one of the three school  
14    years immediately preceding the member’s death or the  
15    date the disability allowance began to accrue.

16    (c) Projected service shall not include credited service  
17    for which contributions have been credited to the  
18    Defined Benefit Supplement Program.

19    ~~*SEC. 22.*~~

20    *SEC. 23.* Section 22161.5 of the Education Code is  
21    amended to read:

22    22161.5. “Refund” means the lump-sum return of a  
23    member’s accumulated retirement contributions under  
24    the Defined Benefit Program and does not include  
25    accumulated contributions credited to the Defined  
26    Benefit Supplement Program.

27    ~~*SEC. 23.*~~

28    *SEC. 24.* Section 22162 of the Education Code is  
29    repealed.

30    ~~*SEC. 24.*~~

31    *SEC. 25.* Section 22162 is added to the Education  
32    Code, to read:

33    22162. “Regular interest” means interest that is  
34    compounded annually based on the annual equivalent of  
35    the prior year’s average yield to maturity on the  
36    investment-grade fixed income securities attributable to  
37    the Defined Benefit Program, but not on assets  
38    attributable to the Defined Benefit Supplement  
39    Program. The regular interest rate shall be adopted

1 annually by the board as a plan amendment with respect  
2 to the Defined Benefit Program.

3 ~~SEC. 25.~~

4 SEC. 26. Section 22166.5 is added to the Education  
5 Code, to read:

6 22166.5. "Retirement benefit" means the amount  
7 payable under the Defined Benefit Supplement Program  
8 based on the balance *of credits* in the member's Defined  
9 Benefit Supplement account to a member who has  
10 retired for service under the Defined Benefit Program.

11 ~~SEC. 26.~~

12 SEC. 27. Section 22170 of the Education Code is  
13 amended to read:

14 22170. "Service" means work performed for  
15 compensation in a position subject to coverage under the  
16 Defined Benefit Program, except as otherwise  
17 specifically provided in this part, providing the  
18 contributions on compensation for that work are not  
19 credited to the Defined Benefit Supplement Program.

20 ~~SEC. 27.~~

21 SEC. 28. Section 22176 is added to the Education  
22 Code, to read:

23 22176. "Termination benefit" means ~~the balance a~~  
24 *benefit equal in amount to the balance of credits* in the  
25 member's Defined Benefit Supplement account that is  
26 payable to the member in a lump-sum when the member  
27 has terminated all employment to perform creditable  
28 service subject to coverage by the plan.

29 ~~SEC. 28.~~

30 SEC. 29. Section 22302 is added to the Education  
31 Code, to read:

32 22302. The board may contract with a qualified  
33 third-party administrator for custodial, record keeping,  
34 or other administrative services necessary to carry into  
35 effect the provisions of Chapter 38 (commencing with  
36 Section 25000) of this part or Part 14.

37 ~~SEC. 29.~~

38 SEC. 30. Section 22304 of the Education Code is  
39 amended to read:

1 22304. (a) The costs of administration of the plan  
2 shall be paid from the retirement fund and those costs  
3 may not exceed the amount made available by law during  
4 any fiscal period.

5 (b) The administrative costs of the plan shall be  
6 divided proportionately in accordance with the assets of  
7 the Defined Benefit Program, the Defined Benefit  
8 Supplement Program, and the Cash Balance Benefit  
9 Program.

10 ~~SEC. 30.~~

11 *SEC. 31.* Section 22309 of the Education Code is  
12 amended to read:

13 22309. (a) The board shall issue to each active and  
14 inactive member, no less frequently than annually after  
15 the close of the school year, a statement of the member's  
16 individual Defined Benefit Program and Defined Benefit  
17 Supplement accounts, provided the employer or  
18 member has informed the system of the member's  
19 current mailing address.

20 (b) The board shall periodically make a good faith  
21 effort to locate inactive members to provide these  
22 members with information concerning any benefit for  
23 which they may be eligible.

24 ~~SEC. 31.~~

25 *SEC. 32.* Section 22311 of the Education Code is  
26 repealed.

27 ~~SEC. 32.~~

28 *SEC. 33.* Section 22311 is added to the Education  
29 Code, to read:

30 22311. The board shall maintain all data necessary to  
31 perform an actuarial investigation of the demographic  
32 and economic experience of the plan and for the actuarial  
33 valuation of the assets and liabilities of the plan.

34 ~~SEC. 33.~~

35 *SEC. 34.* Section 22311.5 is added to the Education  
36 Code, to read:

37 22311.5. The board shall acquire the services of an  
38 actuary to do all of the following:

39 (a) Make recommendations to the board for the  
40 adoption of actuarial assumptions that, in the aggregate,



1 are reasonably related to the past experience of the plan  
2 and reflect the actuary's informed estimate of the future  
3 experience.

4 (b) Make an actuarial investigation of the  
5 demographic and economic experience, including the  
6 mortality, service, and other experience, of the plan with  
7 respect to members and beneficiaries of the Defined  
8 ~~Benefit Program, the Defined Benefit Supplement~~  
9 ~~Program, and the Cash Balance Benefit Program.~~

10 ~~(c) Make an~~ *Benefit Program; members,*  
11 *beneficiaries, and annuity beneficiaries of the Defined*  
12 *Benefit Supplement Program; and participants and*  
13 *beneficiaries of the Cash Balance Benefit Program.*

14 (c) Make an annual actuarial review of the goals  
15 regarding the sufficiency of the Gain and Loss Reserves  
16 with respect to the Defined Benefit Supplement  
17 Program and the Cash Balance Benefit Program and  
18 recommend to the board the goal for maintaining  
19 sufficient Gain and Loss Reserves for the Defined Benefit  
20 Supplement Program and the Cash Balance Benefit  
21 Program.

22 (d) Recommend to the board the amount, if any, to be  
23 transferred to the separate Gain and Loss Reserves from  
24 the investment earnings of the plan with respect to the  
25 Defined Benefit Supplement Program and the Cash  
26 Balance Benefit Program.

27 (e) At least once every six years *with respect to the*  
28 *Defined Benefit Program and annually with respect to*  
29 *the Defined Benefit Supplement Program and the Cash*  
30 *Balance Benefit Program,* using actuarial assumptions  
31 adopted by the board, perform an actuarial valuation of  
32 the plan that identifies the assets and liabilities of the plan,  
33 and report the findings to the board. The report of the  
34 actuary on the results of the actuarial valuation shall  
35 identify and include the components of normal cost and  
36 adequate information to determine the effects of changes  
37 in actuarial assumptions. Copies of the report on the  
38 actuarial valuation shall be transmitted to the Governor  
39 and to the Legislature.

(f) Recommend to the board all rates and factors necessary to administer the plan, including, but not limited to, mortality tables, annuity factors, interest rates, and additional earnings credits.

(g) Recommend to the board a strategy for amortizing any unfunded actuarial obligation.

(h) As requested by the board, perform any other actuarial services that may be required for administration of the plan.

~~SEC. 34.~~

SEC. 35. Section 22311.7 is added to the Education Code, to read:

22311.7. Upon the basis of the actuarial investigation and actuarial valuation pursuant to Section 22311.5, or any part thereof, the board shall adopt *by plan amendment* actuarial assumptions, rates, factors, and tables as the board determines are necessary for administration of the plan and its programs.

~~SEC. 35.~~

SEC. 36. Section 22453 of the Education Code is amended to read:

22453. (a) Except as provided in Section 22454, the signature of the spouse of a member shall be required on any application for, or cancellation of, an unmodified allowance;; *any application for, or cancellation of, any annuity or termination benefit under the Defined Benefit Supplement Program*; the election, change, or cancellation of an option;; *or any* request for a refund of the member's accumulated retirement contributions; ~~accumulated Defined Benefit Supplement contributions~~; or accumulated annuity deposit contributions, or *any* other requests related to the selection of benefits by a member in which a spousal interest may be present, unless the member declares, in writing, under penalty of perjury, that one of the following conditions exists:

(1) The member does not know, and has taken all reasonable steps to determine, the whereabouts of the spouse.

(2) The spouse is incapable of executing the acknowledgment because of an incapacitating mental or physical condition.

(3) The member and spouse have executed a marriage settlement agreement pursuant to Part 5 (commencing with Section 1500) of Division 4 of the Family Code that makes the community property law inapplicable to the marriage.

(4) The member is not married.

(5) The current spouse has no identifiable community property interest in the benefit.

(b) This section is not applicable to an application for a disability allowance.

(c) The sole purpose of this section is to provide for spousal protection in the selection of specified benefits made by a member.

~~SEC. 36.~~

~~SEC. 37.~~ Section 22460 of the Education Code is repealed.

~~SEC. 37.~~

~~SEC. 38.~~ Section 22460 is added to the Education Code, to read:

22460. (a) If a member terminates employment with less than five years of credited service, the employer shall notify the member of the following:

(1) That unless the member is eligible, or becomes eligible in the future, for concurrent retirement pursuant to paragraph (2) of subdivision (a) of Section 24201, the member is eligible only for a refund of accumulated retirement contributions and the return of ~~the balance~~ *an amount equal to the balance of credits* in the member's Defined Benefit Supplement account.

(2) The current rate of interest that shall be earned on accumulated retirement contributions that are not refunded and the current minimum interest rate that shall be applied to the balance *of credits* in the member's Defined Benefit Supplement account.

(3) Actions that may be taken by the board if accumulated retirement contributions are not refunded

1 and the balance *of credits* in the member's Defined  
2 Benefit Supplement account is not returned.

3 (b) Employers shall transmit to a member who  
4 terminates employment with less than five years of  
5 credited service the information specified in subdivision  
6 (a) as part of the usual separation documents.

7 ~~SEC. 38.~~

8 *SEC. 39.* Section 22651 of the Education Code is  
9 amended to read:

10 22651. For purposes of this chapter and Section 23300,  
11 "nonmember spouse" means a member's spouse or  
12 former spouse who is being or has been awarded a  
13 community property interest in the service credit,  
14 accumulated retirement contributions, accumulated  
15 Defined Benefit Supplement—~~contributions~~ *account*  
16 *balance*, or benefits of the member under this part. A  
17 nonmember spouse who is awarded a separate account of  
18 service credit and accumulated retirement contributions,  
19 ~~or who is awarded a separate account of accumulated~~  
20 ~~Defined Benefit Supplement contributions, or who~~  
21 ~~receives a~~ *who is awarded a separate account based on the*  
22 *balance of credits in the member's Defined Benefit*  
23 *Supplement account, who receives a* retirement  
24 allowance or retirement annuity under this part, or who  
25 is awarded an interest in a member's retirement  
26 allowance or retirement annuity under this part is not a  
27 member.

28 ~~SEC. 39.~~

29 *SEC. 40.* Section 22652 of the Education Code is  
30 amended to read:

31 22652. (a) Upon the legal separation or dissolution of  
32 marriage of a member, other than a retired member, the  
33 court shall include in the judgment or a court order the  
34 date on which the parties separated.

35 (b) The court may order in the judgment or court  
36 order that the accumulated retirement contributions and  
37 service credit ~~or accumulated~~ *an amount equal to the*  
38 *balance of credits in the member's* Defined Benefit  
39 Supplement—~~contributions~~ *account* under this part that  
40 are attributable to periods of service during the marriage

1 be divided into two separate and distinct accounts in the  
 2 name of the member and the nonmember spouse,  
 3 respectively. Any service credit or accumulated  
 4 retirement contributions or—~~accumulated~~ *an amount*  
 5 *equal to the balance of credits in the member's* Defined  
 6 Benefit Supplement—~~contributions~~ *account* under this  
 7 part that are not explicitly awarded by the judgment or  
 8 court order shall be deemed the exclusive property of the  
 9 member under the Defined Benefit Program or the  
 10 Defined Benefit Supplement Program.

11 (c) The determination of the court of community  
 12 property rights pursuant to this section shall be consistent  
 13 with this chapter and shall address the rights of the  
 14 nonmember spouse under this part, including, but not  
 15 limited to, the following:

16 (1) The right to a retirement allowance and, if  
 17 applicable, a retirement annuity.

18 (2) The right to a refund of accumulated retirement  
 19 contributions and the lump-sum payment of  
 20 ~~accumulated~~ *an amount equal to the balance of credits*  
 21 *in the member's* Defined Benefit Supplement  
 22 ~~contributions~~ *account that was* awarded to the  
 23 nonmember spouse.

24 (3) The right to redeposit accumulated retirement  
 25 contributions previously refunded to the member which  
 26 the member is eligible to redeposit pursuant to Sections  
 27 23200 to 23203, inclusive, and shall specify the shares of  
 28 the redeposit amount awarded to the member and the  
 29 nonmember spouse.

30 (4) The right to purchase additional service credit that  
 31 the member is eligible to purchase pursuant to Sections  
 32 22800 to 22810, inclusive, and shall specify the shares of  
 33 the additional service credit awarded to the member and  
 34 the nonmember spouse.

35 ~~SEC. 40.~~

36 *SEC. 41.* Section 22655 of the Education Code is  
 37 amended to read:

38 22655. (a) Upon the legal separation or dissolution of  
 39 marriage of a retired member, the court may include in  
 40 the judgment or court order a determination of the

1 community property rights of the parties in the retired  
2 member's retirement allowance and, if applicable,  
3 retirement annuity under this part consistent with this  
4 section. Upon election under subparagraph (B) of  
5 paragraph (3) of subdivision (a) of Section 2610 of the  
6 Family Code, the court order awarding the nonmember  
7 spouse a community property share in the—~~benefits~~  
8 *retirement allowance or retirement annuity, or both*, of  
9 a retired member shall be consistent with this section.

10 (b) If the court does not award the entire retirement  
11 allowance or retirement annuity under this part to the  
12 retired member and the retired member is receiving a  
13 retirement allowance that has not been modified  
14 pursuant to Section 24300, or a single life annuity  
15 pursuant to Section 25011 or 25018, the court shall require  
16 only that the system pay the nonmember spouse, by  
17 separate warrant, his or her community property share of  
18 the retired member's retirement allowance or  
19 retirement annuity, or both, under this part.

20 (c) If the court does not award the entire retirement  
21 allowance or retirement annuity under this part to the  
22 retired member and the retired member is receiving an  
23 allowance that has been actuarially modified pursuant to  
24 Section 24300, or a joint and survivor annuity pursuant to  
25 Section 25011 or 25018, the court shall order only one of  
26 the following:

27 (1) The retired member shall maintain the retirement  
28 allowance or retirement annuity, or both, under this part  
29 without change.

30 (2) The retired member shall cancel the option that  
31 modified the retirement allowance under this part  
32 pursuant to Section 24305 and select a new joint and  
33 survivor option or a new beneficiary or both, and the  
34 system shall pay the nonmember spouse, by separate  
35 warrant, his or her community property share of the  
36 retirement allowance under this part of the retired  
37 member, the option beneficiary, or both.

38 (3) The retired member shall cancel the joint and  
39 survivor annuity under which the annuity is being paid  
40 pursuant to Section 24305.5, and select a new joint and

1 survivor annuity or a new annuity beneficiary or both,  
2 and the system shall pay the nonmember spouse, by  
3 separate warrant, his or her community property share of  
4 the retirement annuity payable to the retired member,  
5 the annuity beneficiary, or both.

6 (4) The retired member shall take the action specified  
7 in both paragraphs (2) and (3).

8 (5) The retired member shall cancel the option that  
9 modified the retirement allowance under this part  
10 pursuant to Section 24305 and select an unmodified  
11 retirement allowance and the system shall pay the  
12 nonmember spouse, by separate warrant, his or her  
13 community property share of the retired member's  
14 retirement allowance under this part.

15 (6) The retired member shall cancel the joint and  
16 survivor annuity under which the annuity is being paid  
17 pursuant to Section 24305.5, and select a single life  
18 annuity, and the system shall pay the nonmember spouse,  
19 by separate warrant, his or her community property  
20 share of the retirement annuity payable to the retired  
21 member.

22 (7) The retired member shall take the action specified  
23 in both paragraphs (5) and (6).

24 (d) If the option beneficiary or annuity beneficiary or  
25 both under this part, other than the nonmember spouse,  
26 predeceases the retired member, the court shall order  
27 the retired member to select a new option beneficiary  
28 pursuant to Section 24306, or a new annuity beneficiary  
29 pursuant to Section ~~24306.5~~ 24305.3 and shall order the  
30 system to pay the nonmember spouse, by separate  
31 warrant, his or her share of the community property  
32 interest in the retirement allowance or retirement  
33 annuity or both under this part of the retired member or  
34 the new option beneficiary or annuity beneficiary or each  
35 of them.

36 (e) The right of the nonmember spouse to receive his  
37 or her community property share of the retired  
38 member's retirement allowance or retirement annuity or  
39 both under this section shall terminate upon the death of  
40 the nonmember spouse. However, the nonmember



1 spouse may designate a beneficiary under the Defined  
2 Benefit Program and a payee under the Defined Benefit  
3 Supplement Program to receive his or her community  
4 property share of the retired member's accumulated  
5 retirement contributions and accumulated Defined  
6 Benefit Supplement—~~contributions~~ *account balance*  
7 under this part in the event that there are remaining  
8 accumulated retirement contributions and—~~accumulated~~  
9 *a balance of credits in the member's* Defined Benefit  
10 Supplement—~~contributions~~ *account* to be paid upon the  
11 death of the nonmember spouse.

12 SEC. 41. Section 22656 of the Education Code is  
13 amended to read:

14 22656. No judgment or court order issued pursuant to  
15 this chapter is binding on the system with respect to the  
16 Defined Benefit Program—~~and~~ *or* the Defined Benefit  
17 Supplement Program until the system has been joined as  
18 a party to the action and has been served with a certified  
19 copy of the judgment or court order.

20 ~~SEC. 42.~~

21 SEC. 43. Section 22658 of the Education Code is  
22 amended to read:

23 22658. (a) A separate account awarded to a  
24 nonmember spouse pursuant to Section 22652 shall be  
25 administered independently of the member's account.

26 (b) ~~Accumulated~~—*An accumulated* Defined Benefit  
27 Supplement—~~contributions~~ *account balance*,  
28 accumulated retirement contributions, service credit,  
29 and final compensation attributable to a separate account  
30 of a nonmember spouse under this part shall not be  
31 combined in any way or for any purpose with the  
32 accumulated Defined Benefit Supplement—~~contributions~~  
33 *account balance*, accumulated retirement contributions,  
34 service credit, and final compensation of any other  
35 separate account of the nonmember spouse.

36 (c) ~~Accumulated~~—*An accumulated* Defined Benefit  
37 Supplement—~~contributions~~ *account balance*,  
38 accumulated retirement contributions, service credit,  
39 and final compensation attributable to the separate  
40 account of a nonmember spouse shall not be combined in



any way or for any purpose with the accumulated Defined Benefit Supplement—~~contributions~~ *account balance*, accumulated retirement contributions, service credit, and final compensation of an account that exists under this part because the nonmember spouse is employed or has been employed to perform creditable service subject to coverage under the Defined Benefit Program *or the Defined Benefit Supplement Program*.

~~SEC. 43.~~

SEC. 44. Section 22659 of the Education Code is amended to read:

22659. Upon being awarded a separate account or an interest in the retirement allowance or retirement annuity of a retired member under this part, a nonmember spouse shall provide the system with proof of his or her date of birth, social security number, and any other information requested by the system, in the form and manner requested by the system.

~~SEC. 44.~~

SEC. 45. Section 22660 of the Education Code is amended to read:

22660. (a) The nonmember spouse who is awarded a separate account under this part shall have the right to designate, pursuant to Sections 23300 to 23304, inclusive, a beneficiary or beneficiaries to receive the accumulated retirement contributions under the Defined Benefit Program and to designate a payee to receive the accumulated Defined Benefit Supplement—~~contributions~~ *account balance* under the Defined Benefit Supplement Program remaining in the separate account of the nonmember spouse on his or her date of death, and any accrued allowance or accrued *Defined Benefit Supplement* annuity under this part attributable to the separate account of the nonmember spouse which is unpaid on the date of the death of the nonmember spouse.

(b) This section shall not be construed to provide the nonmember spouse with any right to elect to modify a retirement allowance under Section 24300 or to elect a

1 joint and survivor annuity under the Defined Benefit  
2 Supplement Program.

3 ~~SEC. 45.~~

4 *SEC. 46.* Section 22661 of the Education Code is  
5 amended to read:

6 22661. (a) The nonmember spouse who is awarded a  
7 separate account under this part shall have the right to a  
8 refund of the accumulated retirement contributions—~~and~~  
9 ~~a lump-sum payment of accumulated Defined Benefit~~  
10 ~~Supplement contributions in the accounts of the in the~~  
11 ~~account, and a lump-sum payment of the balance of~~  
12 ~~credits in the Defined Benefit Supplement account, of~~  
13 ~~the nonmember spouse under this part.~~

14 (b) The nonmember spouse shall file an application on  
15 a form provided by the system to obtain a refund or  
16 lump-sum payment.

17 (c) The refund and lump-sum payment under this  
18 part are effective when the system deposits in the United  
19 States mail an initial warrant drawn in favor of the  
20 nonmember spouse and addressed to the latest address  
21 for the nonmember spouse on file in the system. If the  
22 nonmember spouse has elected on a form provided by the  
23 system to transfer all or a specified portion of the  
24 accumulated retirement contributions or accumulated  
25 Defined Benefit Supplement—~~contributions~~ *account*  
26 *balance* that are eligible for direct trustee-to-trustee  
27 transfer to the trustee of a qualified plan under Section  
28 402 of the Internal Revenue Code of 1986 (26 U.S.C.A.  
29 Sec. 402), deposit in the United States mail of a notice that  
30 the requested transfer has been made constitutes a return  
31 of the nonmember spouse's accumulated retirement  
32 contributions or accumulated Defined Benefit  
33 Supplement—~~contributions~~ *account balance*.

34 (d) The nonmember spouse is deemed to have  
35 permanently waived all rights and benefits pertaining to  
36 the service credit, accumulated retirement  
37 contributions, and accumulated Defined Benefit  
38 Supplement—~~contributions~~ *account balance* under this  
39 part when the refund and lump-sum payment become  
40 effective.

(e) The nonmember spouse may not cancel a refund or lump-sum payment under this part after ~~they are~~ *it is* effective.

(f) The nonmember spouse shall have no right to elect to redeposit the refunded accumulated retirement contributions under this part after the refund is effective, to redeposit under Section 22662 or purchase additional service credit under Section 22663 after the refund becomes effective, or to redeposit the accumulated Defined Benefit Supplement—~~contributions~~ *account balance* after the lump-sum payment becomes effective.

(g) If the total service credit in the separate account of the nonmember spouse under this part, including service credit purchased under Sections 22662 and 22663, is less than two and one-half years, the board shall refund the accumulated retirement contributions in the account.

~~SEC. 46.~~

SEC. 47. Section 22662 of the Education Code is amended to read:

22662. The nonmember spouse who is awarded a separate account under this part may redeposit accumulated retirement contributions previously refunded to the member in accordance with the determination of the court pursuant to Section 22652.

(a) The nonmember spouse may redeposit under this part only those accumulated retirement contributions that were previously refunded to the member and in which the court has determined the nonmember spouse has a community property interest.

(b) The nonmember spouse shall inform the system in writing of his or her intent to redeposit within 180 days after the judgment or court order addressing the redeposit rights of the nonmember spouse is entered. The nonmember spouses' election to redeposit shall be made on a form provided by the system within 30 days after the system mails an election form and the billing.

(c) If the nonmember spouse elects to redeposit under this part, he or she shall repay the portion of the member's refunded accumulated retirement contributions that

1 were awarded to the nonmember spouse and shall pay  
2 regular interest from the date of the refund to the date  
3 of payment.

4 (d) An election to redeposit shall be considered an  
5 election to repay all accumulated retirement  
6 contributions previously refunded under this part in  
7 which the nonmember spouse has a community property  
8 interest. All payments shall be received by the system  
9 before the effective date of the nonmember spouse's  
10 retirement under this part. If any payment due because  
11 of the election is not received at the system's office in  
12 Sacramento within 120 days of its due date, the election  
13 shall be canceled and any payments made under the  
14 election shall be returned to the nonmember spouse.

15 (e) The right of the nonmember spouse to redeposit  
16 shall be subject to Section 23203.

17 (f) The member shall not have a right to redeposit the  
18 share of the nonmember spouse in the previously  
19 refunded accumulated retirement contributions under  
20 this part whether or not the nonmember spouse elects to  
21 redeposit. However, any accumulated retirement  
22 contributions previously refunded under this part and  
23 not explicitly awarded to the nonmember spouse under  
24 this part by the judgment or court order shall be deemed  
25 the exclusive property of the member.

26 ~~SEC. 47.~~

27 *SEC. 48.* Section 22664 of the Education Code is  
28 amended to read:

29 22664. The nonmember spouse who is awarded a  
30 separate account shall have the right to a service  
31 retirement allowance and, if applicable, a retirement  
32 annuity under this part.

33 (a) The nonmember spouse shall be eligible to retire  
34 for service under this part if the following conditions are  
35 satisfied:

36 (1) The member had at least five years of credited  
37 service during the period of marriage, at least one year of  
38 which had been performed subsequent to the most  
39 recent refund to the member of accumulated retirement  
40 contributions. The credited service may include service

1 credited to the account of the member as of the date of  
2 the dissolution or legal separation, previously refunded  
3 service, out-of-state service, and permissive service credit  
4 that the member is eligible to purchase at the time of the  
5 dissolution or legal separation.

6 (2) The nonmember spouse has at least two and  
7 one-half years of credited service in his or her separate  
8 account.

9 (3) The nonmember spouse has attained the age of 55  
10 years or more.

11 (b) A service retirement allowance of a nonmember  
12 spouse under this part shall become effective upon any  
13 date designated by the nonmember spouse, provided:

14 (1) The requirements of subdivision (a) are satisfied.

15 (2) The nonmember spouse has filed an application for  
16 service retirement on a form provided by the system, that  
17 is executed no earlier than six months before the effective  
18 date of the retirement allowance.

19 (3) The effective date is no earlier than the first day of  
20 the month in which the application is received at the  
21 system's office in Sacramento and the effective date is  
22 after the date the judgment or court order pursuant to  
23 Section 22652 was entered.

24 (c) (1) Upon service retirement at normal  
25 retirement age under this part, the nonmember spouse  
26 shall receive a retirement allowance that shall consist of  
27 an annual allowance payable in monthly installments  
28 equal to 2 percent of final compensation for each year of  
29 credited service.

30 (2) If the nonmember spouse's retirement is effective  
31 at less than normal retirement age and between early  
32 retirement age under this part and normal retirement  
33 age, the retirement allowance shall be reduced by  
34 one-half of 1 percent for each full month, or fraction of a  
35 month, that will elapse until the nonmember spouse  
36 would have reached normal retirement age.

37 (3) If the nonmember spouse's service retirement is  
38 effective at an age greater than normal retirement age  
39 and is effective on or after January 1, 1999, the percentage

1 of final compensation for each year of credited service  
 2 shall be determined pursuant to the following table:

3		
4	Age at Retirement	Percentage
5	60 $\frac{1}{4}$ .....	2.033
6	60 $\frac{1}{2}$ .....	2.067
7	60 $\frac{3}{4}$ .....	2.10
8	61 .....	2.133
9	61 $\frac{1}{4}$ .....	2.167
10	61 $\frac{1}{2}$ .....	2.20
11	61 $\frac{3}{4}$ .....	2.233
12	62 .....	2.267
13	62 $\frac{1}{4}$ .....	2.30
14	62 $\frac{1}{2}$ .....	2.333
15	62 $\frac{3}{4}$ .....	2.367
16	63 and over .....	2.40

17  
 18 (4) In computing the retirement allowance of the  
 19 nonmember spouse, the age of the nonmember spouse on  
 20 the last day of the month in which the retirement  
 21 allowance begins to accrue shall be used.

22 (5) Final compensation, for purposes of calculating the  
 23 service retirement allowance of the nonmember spouse  
 24 under this subdivision, shall be calculated according to  
 25 the definition of final compensation in Section 22134,  
 26 22135, or 22136, whichever is applicable, and shall be  
 27 based on the compensation earnable of the member up  
 28 to the date the parties separated, as established in the  
 29 judgment or court order pursuant to Section 22652. The  
 30 nonmember spouse shall not be entitled to use any other  
 31 calculation of final compensation.

32 (d) If the member is or was receiving a disability  
 33 allowance under this part with an effective date before or  
 34 on the date the parties separated as established in the  
 35 judgment or court order pursuant to Section 22652, or at  
 36 any time applies for and receives a disability allowance  
 37 with an effective date that is before or coincides with the  
 38 date the parties separated as established in the judgment  
 39 or court order pursuant to Section 22652, the nonmember  
 40 spouse shall not be eligible to retire until after the

1 disability allowance of the member terminates. If the  
2 member who is or was receiving a disability allowance  
3 returns to employment to perform creditable service  
4 subject to coverage under the Defined Benefit Program  
5 or has his or her allowance terminated under Section  
6 24015, the nonmember spouse may not be paid a  
7 retirement allowance until at least six months after  
8 termination of the disability allowance and the return of  
9 the member to employment to perform creditable  
10 service subject to coverage under the Defined Benefit  
11 Program, or the termination of the disability allowance  
12 and the employment or self-employment of the member  
13 in any capacity, notwithstanding Section 22132. If at the  
14 end of the six-month period, the member has not had a  
15 recurrence of the original disability or has not had his or  
16 her earnings fall below the amounts described in Section  
17 24015, the nonmember spouse may be paid a retirement  
18 allowance if all other eligibility requirements are met.

19 (1) The retirement allowance of the nonmember  
20 spouse under this subdivision shall be calculated as  
21 follows: the disability allowance the member was  
22 receiving, exclusive of the portion for dependent  
23 children, shall be divided between the share of the  
24 member and the share of the nonmember spouse. The  
25 share of the nonmember spouse shall be the amount  
26 obtained by multiplying the disability allowance,  
27 exclusive of the portion for dependent children, by the  
28 years of service credited to the separate account of the  
29 nonmember spouse, including service projected to the  
30 date of separation, and dividing by the projected service  
31 of the member. The nonmember spouse's retirement  
32 allowance shall be the lesser of the share of the  
33 nonmember spouse under this subdivision or the  
34 retirement allowance under subdivision (c).

35 (2) The share of the member shall be the total  
36 disability allowance reduced by the share of the  
37 nonmember spouse. The share of the member shall be  
38 considered the disability allowance of the member for  
39 purposes of Section 24213.



1 (e) The nonmember spouse who receives a  
2 retirement allowance is not a retired member under this  
3 part. However, the allowance of the nonmember spouse  
4 shall be increased by application of the improvement  
5 factor and shall be eligible for the application of  
6 supplemental increases and other benefit maintenance  
7 provisions under this part, including, but not limited to,  
8 Sections 24411, 24412, and 24415 based on the same  
9 criteria used for the application of these benefit  
10 maintenance increases to the service retirement  
11 allowances of members.

12 ~~SEC. 48.~~

13 *SEC. 49.* Section 22665 of the Education Code is  
14 amended to read:

15 22665. The system shall include the service credit  
16 awarded to a nonmember spouse in the judgment or  
17 court order to determine the eligibility of a member for  
18 a retirement or disability allowance under this part. That  
19 portion of awarded service credit based on previously  
20 refunded accumulated retirement contributions or on  
21 permissive service credit may not be used by the member  
22 for eligibility requirements until the member has  
23 redeposited or purchased his or her portion of the service  
24 credit. The member's service retirement allowance shall  
25 be calculated based on the service credit in the member's  
26 account on the effective date of service retirement.

27 ~~SEC. 49.~~

28 *SEC. 50.* Section 22703 of the Education Code is  
29 amended to read:

30 22703. (a) Service shall be credited to the Defined  
31 Benefit Program, except as provided in subdivision (b).

32 (b) A member's creditable service that exceeds 1.000  
33 in a school year shall not be credited to the Defined  
34 Benefit Program. Commencing July 1, 2002,  
35 contributions by the employer and the member on  
36 creditable compensation paid to the member for that  
37 service, exclusive of contributions pursuant to Section  
38 22951, shall be credited to the Defined Benefit  
39 Supplement Program.





(c) In lieu of any other benefits provided by this part, any member who performed service prior to July 1, 1956, shall receive retirement benefits for that service at least equal to the benefits that the member would have received for that service under the provisions of this part as they existed on June 30, 1956. This subdivision shall not apply to service that is credited in the San Francisco City and County Employees Retirement System.

~~SEC. 50.~~

*SEC. 51.* Section 22706 of the Education Code is amended to read:

22706. A member shall not receive credit for service performed while receiving a retirement or disability allowance under the Defined Benefit Program or while receiving a retirement or disability annuity under the Defined Benefit Supplement Program.

~~SEC. 51.~~

*SEC. 52.* Section 22905 of the Education Code is amended to read:

22905. (a) Contributions made by a member and member contributions made by an employer pursuant to Section 22903 and 22904 shall be credited by the board to the individual account of the member.

(b) This section shall become inoperative on July 1, 2002, and, as of January 1, 2003, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2003, deletes or extends the dates on which it becomes inoperative and is repealed.

~~SEC. 52.~~

*SEC. 53.* Section 22905 is added to the Education Code, to read:

22905. (a) Member contributions pursuant to Section 22901 and employer contributions pursuant to Sections 22903 and 22904 shall be credited to the member's individual account under the Defined Benefit Program or the Defined Benefit Supplement Program, whichever is applicable pursuant to the provisions of this part.

(b) Member and employer contributions on a member's compensation under the following

1 circumstances shall be credited to the member's Defined  
2 Benefit Supplement account:

3 (1) Compensation for creditable service that exceeds  
4 one year in a school year.

5 ~~(2) Compensation for extra-curricular school-related~~  
6 ~~activities performed in addition to the creditable service~~  
7 ~~required by the member's employer.~~

8 ~~(3)~~

9 (2) Compensation that is consistent with subdivision  
10 (b) of Section 22119.2.

11 ~~(4)~~

12 (3) Compensation that is a one-time payment  
13 pursuant to law, a collective bargaining agreement or  
14 employment agreement including, but not limited to,  
15 payments based on national board certification.

16 (c) A member shall not make voluntary pretax or  
17 posttax contributions under the Defined Benefit  
18 Supplement Program, except as provided in subdivision  
19 (d), nor shall a member redeposit amounts previously  
20 distributed based on the balance in the member's  
21 Defined Benefit Supplement account.

22 (d) Member and employer contributions under the  
23 Defined Benefit Supplement Program shall be credited  
24 to the accounts of members as of June 30 each year  
25 following a determination by the system under the  
26 provisions of this part that those contributions should be  
27 credited to the Defined Benefit Supplement Program.  
28 Contributions to a member's Defined Benefit  
29 Supplement account shall be identified separately from  
30 the member's contributions credited under the Defined  
31 Benefit Program.

32 (e) The provisions of this section shall become  
33 operative on July 1, 2002.

34 ~~SEC. 53.~~

35 *SEC. 54.* Section 22906 of the Education Code is  
36 repealed.

37 ~~SEC. 54.~~

38 *SEC. 55.* Section 22906 is added to the Education  
39 Code, to read:

22906. A member's accumulated retirement contributions that were made with respect to service that was erroneously credited under the Defined Benefit Program shall be returned to the member if the contributions for that service cannot be credited under the Defined Benefit Supplement Program pursuant to this part.

~~SEC. 55.~~

*SEC. 56. Section 22954 of the Education Code is amended to read:*

22954. (a) Notwithstanding Section 13340 of the Government Code, commencing July 1, 1999, a continuous appropriation is hereby annually made from the General Fund to the Controller, pursuant to this section, for transfer to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund. The total amount of the appropriation for each year shall be equal to 2.5 percent of the total of the creditable compensation of the *plan year ending in the* immediately preceding calendar year upon which members' contributions are based for purposes of funding the supplemental payments authorized by Section 24415.

(b) The board may deduct from the annual appropriation made pursuant to this section an amount necessary for the administrative expenses of Section 24415.

(c) It is the intent of the Legislature in enacting this section to establish the supplemental payments pursuant to Section 24415 as vested benefits pursuant to a contractually enforceable promise to make annual contributions from the General Fund to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund in order to provide a continuous annual source of revenue for the purposes of making the supplemental payments under Section 24415.

*(d) This section shall become inoperative on July 1, 2003, and as of January 1, 2004, is repealed unless a later enacted statute, that becomes effective on or before January 1, 2004, deletes or extends the date on which it becomes inoperative and is repealed.*

1 SEC. 57. Section 22954 is added to the Education  
2 Code, to read:

3 22954. (a) Notwithstanding Section 13340 of the  
4 Government Code, commencing July 1, 1999, a  
5 continuous appropriation is hereby annually made from  
6 the General Fund to the Controller, pursuant to this  
7 section, for transfer to the Supplemental Benefit  
8 Maintenance Account in the Teachers' Retirement Fund.  
9 The total amount of the appropriation for each year shall  
10 be equal to 2.5 percent of the total of the creditable  
11 compensation of the plan year ending in the immediately  
12 preceding calendar year upon which members'  
13 contributions are based for purposes of funding the  
14 supplemental payments authorized by Section 24415.

15 (b) The board may deduct from the annual  
16 appropriation made pursuant to this section an amount  
17 necessary for the administrative expenses of Section  
18 24415.

19 (c) It is the intent of the Legislature in enacting this  
20 section to establish the supplemental payments pursuant  
21 to Section 24415 as vested benefits pursuant to a  
22 contractually enforceable promise to make annual  
23 contributions from the General Fund to the  
24 Supplemental Benefit Maintenance Account in the  
25 Teachers' Retirement Fund in order to provide a  
26 continuous annual source of revenue for the purposes of  
27 making the supplemental payments under Section 24415.

28 (d) This section shall become operative on July 1, 2003.

29 SEC. 58. Section 22955 of the Education Code is  
30 amended to read:

31 22955. (a) Notwithstanding Section 13340 of the  
32 Government Code, commencing July 1, 1999, a  
33 continuous appropriation is hereby annually made from  
34 the General Fund to the Controller, pursuant to this  
35 section, for transfer to the Teachers' Retirement Fund.  
36 The total amount of the appropriation for each year shall  
37 be equal to 3.102 percent of the total of the creditable  
38 compensation of the plan year ending in the immediately  
39 preceding calendar year upon which members'  
40 contributions are based, to be calculated annually on

1 October 1, and shall be divided into four equal quarterly  
2 payments.

3 (b) Notwithstanding Section 13340 of the  
4 Government Code, commencing October 1, 1998, a  
5 continuous appropriation, in addition to the  
6 appropriation made by subdivision (a), is hereby  
7 annually made from the General Fund to the Controller  
8 for transfer to the Teachers' Retirement Fund. The total  
9 amount of the appropriation for each year shall be equal  
10 to 0.524 percent of the total of the creditable  
11 compensation of the *plan year ending in the* immediately  
12 preceding calendar year upon which members'  
13 contributions are based, to be calculated annually on  
14 October 1, and shall be divided into four equal quarterly  
15 payments. The percentage shall be adjusted to reflect the  
16 contribution required to fund the normal cost deficit or  
17 the unfunded obligation as determined by the board  
18 based upon a recommendation from its actuary. If a rate  
19 increase is required, the adjustment may be for no more  
20 than 0.25 percent per year and in no case may the transfer  
21 made pursuant to this subdivision exceed 1.505 percent of  
22 the total of the creditable compensation of the *plan year*  
23 *ending in the* immediately preceding calendar year upon  
24 which members' contributions are based. At any time  
25 when there is neither an unfunded obligation nor a  
26 normal cost deficit, the percentage shall be reduced to  
27 zero.

28 The funds transferred pursuant to this subdivision shall  
29 first be applied to eliminating on or before June 30, 2027,  
30 the unfunded actuarial liability of the fund identified in  
31 the actuarial valuation as of June 30, 1997.

32 (c) For the purposes of this section, the term "normal  
33 cost deficit" means the difference between the normal  
34 cost rate as determined in the actuarial valuation  
35 required by Section 22311 and the total of the member  
36 contribution rate required under Section 22901 and the  
37 employer contribution rate required under Section  
38 22950, and shall exclude (1) the portion for unused sick  
39 leave service credit granted pursuant to Section 22717,  
40 and (2) the cost of benefit increases that occur after July

1 1, 1990. The contribution rates prescribed in Section  
2 22901 and Section 22950 on July 1, 1990, shall be utilized  
3 to make the calculations. The normal cost deficit shall  
4 then be multiplied by the total of the creditable  
5 compensation upon which member contributions under  
6 this part are based to determine the dollar amount of the  
7 normal cost deficit for the year.

8 (d) Pursuant to Section 22001 and case law, members  
9 are entitled to a financially sound retirement system. It is  
10 the intent of the Legislature that this section shall provide  
11 the retirement fund stable and full funding over the long  
12 term.

13 (e) This section continues in effect but in a somewhat  
14 different form, fully performs, and does not in any way  
15 unreasonably impair, the contractual obligations  
16 determined by the court in California Teachers'  
17 Association v. Cory, 155 Cal.App.3d 494.

18 (f) Subdivision (b) shall not be construed to be  
19 applicable to any unfunded liability resulting from any  
20 benefit increase or change in contribution rate under this  
21 part that occurs after July 1, 1990.

22 (g) The amendments to this section during the  
23 1991–92 Regular Session shall be construed and  
24 implemented to be in conformity with the judicial intent  
25 expressed by the court in California Teachers' Association  
26 v. Cory, 155 Cal.App.3d 494.

27 (h) *This section shall become inoperative on July 1,*  
28 *2003, and as of January 1, 2004, is repealed unless a later*  
29 *enacted statute, that becomes effective on or before*  
30 *January 1, 2004, deletes or extends the date on which it*  
31 *becomes inoperative and is repealed.*

32 SEC. 59. *Section 22955 is added to the Education*  
33 *Code, to read:*

34 22955. (a) *Notwithstanding Section 13340 of the*  
35 *Government Code, commencing July 1, 2003, a*  
36 *continuous appropriation is hereby annually made from*  
37 *the General Fund to the Controller, pursuant to this*  
38 *section, for transfer to the Teachers' Retirement Fund.*  
39 *The total amount of the appropriation for each year shall*  
40 *be equal to 3.102 percent of the total of the creditable*

1 compensation of the plan year ending in the immediately  
2 preceding calendar year upon which members'  
3 contributions are based, to be calculated annually on  
4 October 1, and shall be divided into four equal quarterly  
5 payments.

6 (b) Notwithstanding Section 13340 of the  
7 Government Code, commencing October 1, 2003, a  
8 continuous appropriation, in addition to the  
9 appropriation made by subdivision (a), is hereby  
10 annually made from the General Fund to the Controller  
11 for transfer to the Teachers' Retirement Fund. The total  
12 amount of the appropriation for each year shall be equal  
13 to 0.524 percent of the total of the creditable  
14 compensation of the plan year ending in the immediately  
15 preceding calendar year upon which members'  
16 contributions are based, to be calculated annually on  
17 October 1, and shall be divided into four equal quarterly  
18 payments. The percentage shall be adjusted to reflect the  
19 contribution required to fund the normal cost deficit or  
20 the unfunded obligation as determined by the board  
21 based upon a recommendation from its actuary. If a rate  
22 increase is required, the adjustment may be for no more  
23 than 0.25 percent per year and in no case may the transfer  
24 made pursuant to this subdivision exceed 1.505 percent of  
25 the total of the creditable compensation of the plan year  
26 ending in the immediately preceding calendar year upon  
27 which members' contributions are based. At any time  
28 when there is neither an unfunded obligation nor a  
29 normal cost deficit, the percentage shall be reduced to  
30 zero. The funds transferred pursuant to this subdivision  
31 shall first be applied to eliminating on or before June 30,  
32 2027, the unfunded actuarial liability of the fund  
33 identified in the actuarial valuation as of June 30, 1997.

34 (c) For the purposes of this section, the term "normal  
35 cost deficit" means the difference between the normal  
36 cost rate as determined in the actuarial valuation  
37 required by Section 22311 and the total of the member  
38 contribution rate required under Section 22901 and the  
39 employer contribution rate required under Section  
40 22950, and shall exclude (1) the portion for unused sick



1 leave service credit granted pursuant to Section 22717,  
2 and (2) the cost of benefit increases that occur after July  
3 1, 1990. The contribution rates prescribed in Section  
4 22901 and Section 22950 on July 1, 1990, shall be utilized  
5 to make the calculations. The normal cost deficit shall  
6 then be multiplied by the total of the creditable  
7 compensation upon which member contributions under  
8 this part are based to determine the dollar amount of the  
9 normal cost deficit for the year.

10 (d) Pursuant to Section 22001 and case law, members  
11 are entitled to a financially sound retirement system. It is  
12 the intent of the Legislature that this section shall provide  
13 the retirement fund stable and full funding over the long  
14 term.

15 (e) This section continues in effect but in a somewhat  
16 different form, fully performs, and does not in any way  
17 unreasonably impair, the contractual obligations  
18 determined by the court in *California Teachers'*  
19 *Association v. Cory*, 155 Cal.App.3d 494.

20 (f) Subdivision (b) shall not be construed to be  
21 applicable to any unfunded liability resulting from any  
22 benefit increase or change in contribution rate under this  
23 part that occurs after July 1, 1990.

24 (g) The provisions of this section shall be construed  
25 and implemented to be in conformity with the judicial  
26 intent expressed by the court in *California Teachers'*  
27 *Association v. Cory*, 155 Cal.App.3d 494.

28 (h) This section shall become operative on July 1, 2003.

29 SEC. 60. Section 22955.5 is added to the Education  
30 Code, to read:

31 22955.5. For purposes of Sections 22954 and 22955,  
32 “creditable compensation” shall include only creditable  
33 compensation for which member contributions are  
34 credited under the Defined Benefit Program.

35 ~~SEC. 56.~~

36 SEC. 61. Section 23100 of the Education Code is  
37 amended to read:

38 23100. (a) Upon the termination of a member's  
39 employment by any cause other than death, disability, or



retirement there shall be paid to the member, pursuant to this part, each of the following:

(1) The member's accumulated retirement contributions made after June 30, 1935.

(2) The member's accumulated annuity deposit contributions.

~~(3) The member's accumulated Defined Benefit Supplement contributions.~~

~~(b) Accumulated~~

(3) *An amount equal to the balance of credits in the member's Defined Benefit Supplement account.*

(b) *Accumulated retirement contributions and accumulated annuity deposit contributions shall include credited interest through the date of payment.*

~~SEC. 57.~~

SEC. 62. Section 23300 of the Education Code is repealed.

~~SEC. 58.~~

SEC. 63. Section 23300 is added to the Education Code, to read:

23300. (a) A member of the Defined Benefit Program may designate a beneficiary to receive benefits payable under this part upon the member's death. A beneficiary designation may not be made in derogation of a nonmember spouse's community property interest with respect to service or contributions credited under this part unless the nonmember spouse has previously obtained an alternative order pursuant to Section 2610 of the Family Code.

(b) A member shall make separate designations for benefits payable under the Defined Benefit Program and the Defined Benefit Supplement Program. Each designation shall be in writing on a form prescribed by the system, executed by the member, and witnessed by two witnesses who are not designated as beneficiary for benefits payable under either the Defined Benefit Program or the Defined Benefit Supplement Program. A member may designate the same beneficiary for benefits payable under the Defined Benefit Program and the

1 Defined Benefit Supplement Program, or may designate  
2 a different beneficiary for each.

3 (c) A beneficiary designation shall not be valid unless  
4 it is received in the office of the system in Sacramento  
5 prior to the member's death.

6 (d) A member may change or revoke a beneficiary  
7 designation at any time by making a new designation  
8 pursuant to this section.

9 (e) This section shall not be applicable to the  
10 designation of an option beneficiary or an annuity  
11 beneficiary under this part.

12 ~~SEC. 59.~~

13 ~~SEC. 64.~~ Section 23881 of the Education Code is  
14 repealed.

15 ~~SEC. 60.~~

16 ~~SEC. 65.~~ Section 23881 is added to the Education  
17 Code, to read:

18 23881. (a) If upon receipt of proof of death of a  
19 retired member who was receiving an unmodified  
20 allowance and who retired under this part after June 30,  
21 1972, there is a remaining balance of the member's  
22 accumulated retirement contributions, the balance shall  
23 be paid to the member's beneficiary.

24 (b) ~~If upon~~ Upon receipt of proof of death of a retired  
25 member's option beneficiary after the beneficiary begins  
26 to receive an allowance, the remaining balance of a  
27 member's accumulated retirement contributions, if any,  
28 shall be paid to the beneficiary designated by the option  
29 beneficiary to receive that payment.

30 (c) The remaining balance of a retired member's  
31 accumulated retirement contributions shall be the  
32 difference between the balance of the accumulated  
33 retirement contributions on the effective date of the  
34 member's retirement and the total retirement allowance  
35 paid or payable to the retired member on the date of the  
36 member's death. If the retired member predeceased the  
37 option beneficiary, the remaining balance of the retired  
38 member's accumulated retirement contributions shall be  
39 the difference between the balance of the accumulated  
40 retirement contributions on the effective date of the

1 member's retirement and the total retirement allowance  
2 paid or payable to the retired member and the option  
3 beneficiary on the date of the option beneficiary's death.

4 (d) Payments pursuant to this section shall include  
5 interest on the remaining balance of accumulated  
6 retirement contributions calculated from the date the last  
7 allowance payment was made to the date the remaining  
8 balance of accumulated retirement contributions is paid.

9 ~~SEC. 61.~~

10 *SEC. 66.* Section 24202.5 of the Education Code is  
11 amended to read:

12 24202.5. (a) A member who retires for service on or  
13 after January 1, 1999, shall receive a retirement allowance  
14 consisting of all of the following:

15 (1) An annual allowance payable in monthly  
16 installments, upon retirement equal to the percentage of  
17 the final compensation set forth opposite the member's  
18 age at retirement in the following table multiplied by  
19 each year of credited service:

20		
21	Age at Retirement	Percentage
22	60 .....	2.00
23	60 1/4 .....	2.033
24	60 1/2 .....	2.067
25	60 3/4 .....	2.10
26	61 .....	2.133
27	61 1/4 .....	2.167
28	61 1/2 .....	2.20
29	61 3/4 .....	2.233
30	62 .....	2.267
31	62 1/4 .....	2.30
32	62 1/2 .....	2.333
33	62 3/4 .....	2.367
34	63 and over .....	2.40

35  
36 If the member's retirement is effective at less than  
37 normal retirement age and between early retirement age  
38 and normal retirement age, the member's allowance shall  
39 be reduced by one-half of 1 percent for each full month,

1 or fraction of a month that will elapse until the member  
2 will attain normal retirement age.

3 (2) An annuity that shall be the actuarial equivalent of  
4 the member's *accumulated* annuity deposit  
5 contributions ~~and credited interest thereon~~ at the time of  
6 retirement.

7 (3) An annuity based on the balance *of credits* in the  
8 member's Defined Benefit Supplement account,  
9 *pursuant to Section 25012, if elected by the member*  
10 *pursuant to Section 25011.*

11 (b) In computing the amounts described in paragraph  
12 (1) of subdivision (a), the age of the member on the last  
13 day of the month in which the retirement allowance  
14 begins to accrue or the later date as provided in Section  
15 24204 shall be used.

16 ~~SEC. 62.~~

17 *SEC. 67.* Section 24206 of the Education Code is  
18 amended to read:

19 24206. The minimum unmodified allowance for  
20 service retirement under the Defined Benefit Program,  
21 exclusive of annuities payable from accumulated annuity  
22 deposit contributions and exclusive of ~~accumulated the~~  
23 *balance of credits in the member's* Defined Benefit  
24 Supplement ~~contributions~~ *account*, shall not be less than  
25 ten dollars (\$10) per month multiplied by the member's  
26 years of credited service. This guaranteed amount shall  
27 be reduced by the amount of an unmodified allowance  
28 payable from a local system based on service credited  
29 under the Defined Benefit Program. If the retirement is  
30 effective at less than age 60 years this allowance shall be  
31 reduced by one-half of 1 percent for each full month or  
32 fraction of a month that will elapse until the member  
33 would have reached age 60 years.

34 ~~SEC. 63.~~

35 *SEC. 68.* Section 24300.5 is added to the Education  
36 Code, to read:

37 24300.5. An option beneficiary who is receiving an  
38 allowance pursuant to the option elected by the member  
39 may designate a beneficiary to receive any remaining  
40 balance of the retired member's accumulated retirement

1 contributions payable pursuant to Section 23881 upon the  
2 death of the option beneficiary.

3 ~~SEC. 64.~~

4 *SEC. 69.* Section 24305.3 is added to the Education  
5 Code, to read:

6 24305.3. (a) A member who is receiving a joint and  
7 survivor annuity under the Defined Benefit Supplement  
8 Program may change the annuity or the annuity  
9 beneficiary elected pursuant to Section 25011 or 25018  
10 provided all of the following conditions are met:

11 (1) The annuity beneficiary is the member's spouse or  
12 former spouse.

13 (2) A final decree of dissolution of marriage is granted,  
14 or a judgment of nullity is entered, or an order of separate  
15 maintenance is made by a court of competent jurisdiction  
16 with respect to the member and the spouse or former  
17 spouse on or after ~~July 1, 2002~~ *the beginning of the initial*  
18 *plan year designated by the board pursuant to Section*  
19 *22156.05.*

20 (3) The change is consistent with the final decree of  
21 dissolution, judgment of nullity, or order of separate  
22 maintenance.

23 (b) A member may change the annuity pursuant to  
24 subdivision (a) before or after the first annuity payment  
25 is issued.

26 (c) The member shall notify the system in writing of  
27 the change in the annuity. The notification shall not be  
28 earlier ~~than~~ *than* the effective date of the final decree of  
29 dissolution, judgment of nullity, or order of separate  
30 maintenance and shall include a certified copy of the final  
31 decree of dissolution, judgment of nullity, or order of  
32 separate maintenance, and any property settlement  
33 agreement.

34 (d) A change in the annuity or annuity beneficiary or  
35 both shall become effective on the date the notification  
36 of change is received by the system. The annuity amount  
37 payable to the member upon the change elected by the  
38 member shall be determined as of the effective date of  
39 the change and shall be the actuarial equivalent of the  
40 lump sum that would otherwise be payable to the

1 member as of the date of the change. If the member elects  
2 a joint and survivor annuity, the amount payable under  
3 the annuity shall be modified consistent with the annuity  
4 elected by the member.

5 ~~SEC. 65.~~

6 *SEC. 70.* Section 24400 of the Education Code is  
7 amended to read:

8 24400. The Legislature recognizes that inflation  
9 erodes the purchasing power of benefits paid under the  
10 plan pursuant to this part. It is the intent of the  
11 Legislature to understand the degree of erosion of these  
12 benefits. The board shall report to the Governor and  
13 Legislature no later than April 1 of each year on the  
14 extent to which inflation has eroded the purchasing  
15 power of benefits provided under the Defined Benefit  
16 Program and Defined Benefit Supplement Program. The  
17 board shall indicate the amount of supplementary  
18 increases in retirement allowances and retirement  
19 annuities required to preserve the purchasing power of  
20 benefits provided under the Defined Benefit Program  
21 and Defined Benefit Supplement Program. The board  
22 shall also determine and report on the increases.

23 ~~SEC. 66.~~

24 *SEC. 71.* Section 24402 of the Education Code is  
25 amended to read:

26 24402. (a) Service retirement allowances,  
27 retirement annuities, disability allowances, disability  
28 retirement allowances, disability annuities, family  
29 allowances, and survivor benefit allowances payable  
30 pursuant to this part shall be increased by application of  
31 the benefit improvement factor.

32 (b) Allowances payable to beneficiaries on account of  
33 options elected under Section 24300, 24301, or 24307 and  
34 annuities payable to annuity beneficiaries *under the*  
35 *Defined Benefit Supplement Program* shall be increased  
36 by application of the improvement factor. This factor  
37 shall be applicable on the same date when it would have  
38 been applied to the allowance of the deceased person.

39 (c) The benefit improvement factor shall not be  
40 applied to an annuity that is the actuarial equivalent of

1 the accumulated annuity deposit contributions standing  
2 to the credit of the member's account on the effective  
3 date of a service or disability retirement.

4 ~~SEC. 67.~~

5 SEC. 72. Section 24411 of the Education Code is  
6 amended to read:

7 24411. (a) (1) Annual cost-of-living adjustments for  
8 retired members, disabled members,—~~and~~ beneficiaries,  
9 and annuity beneficiaries in excess of the 2-percent  
10 adjustment authorized by Section 22140 may be included  
11 as a General Fund appropriation in the annual Budget  
12 Act. In the annual budget submitted to the Legislature,  
13 the Governor shall include a budget item equal to 5  
14 percent of the average annualized statewide increase in  
15 payroll for certificated personnel over the three previous  
16 school years among school districts, county offices of  
17 education, and community college districts.

18 (2) The amount submitted in the annual Budget Act  
19 pursuant to this section shall be considered as part of the  
20 overall budget allocations to the public schools and  
21 community colleges.

22 (b) The annual appropriation shall be made to the  
23 system on July 1, and shall be placed in a segregated  
24 account called the Retirees' Purchasing Power  
25 Protection Account. The proceeds of that account are  
26 continuously appropriated and shall be distributed  
27 annually in quarterly payments commencing on  
28 September 1 to retired members, disabled members,—~~and~~  
29 beneficiaries under the Defined Benefit Program, and  
30 annuity beneficiaries under the Defined Benefit  
31 Supplement Program as follows:

32 (1) The proceeds shall be allocated among those  
33 retired members, disabled members,—~~and~~ beneficiaries  
34 under the Defined Benefit Program, and annuity  
35 beneficiaries under the Defined Benefit Supplement  
36 Program whose allowances or annuities, after applying  
37 the 2-percent adjustment authorized by Section 22140,  
38 have the lowest purchasing power percentage, based on  
39 the amount that would be paid had the original allowance  
40 or annuity been increased by the increases in the index

1 then being used by the Department of Finance to  
2 measure changes in the cost of living, increasing those  
3 allowances and annuities to a common minimum  
4 purchasing power level. In any year in which the  
5 purchasing power of the allowances of all retired  
6 members, disabled members, and beneficiaries under the  
7 Defined Benefit Program and annuities under the  
8 Defined Benefit Supplement Program equals not less  
9 than 75 percent and additional funds remain from the  
10 allocation authorized by this section, those funds shall be  
11 allocated by the board to general accounts to reduce the  
12 unfunded actuarial liability of the fund.

13 (2) The board may deduct from the annual  
14 appropriation an amount necessary for administrative  
15 expenses to implement this section.

16 (c) The board shall inform each recipient of ~~benefits~~  
17 *an allowance or annuity* under subdivision (b) that the  
18 increases are not cumulative, are not part of the base  
19 allowance or annuity, and shall be available only as  
20 appropriated annually in the Budget Act.

21 (d) The adjustments authorized by this section shall  
22 not be included in the base allowance or annuity for  
23 purposes of calculating the 2-percent adjustment  
24 authorized by Section 22140.

25 (e) It is the ultimate intent and purpose of the  
26 Legislature in amending this section by Chapters 323 and  
27 780 of the Statutes of 1983, to achieve a common  
28 minimum purchasing power level equal to 75 percent of  
29 the purchasing power of the original allowance ~~or~~  
30 ~~annuity~~. It is the present intent of the Legislature that  
31 until adequate funds are available to fulfill the ultimate  
32 intent, those persons whose allowances or annuities have  
33 been most impacted by inflation shall be accorded first  
34 priority in receiving, pursuant to this section,  
35 supplemental cost-of-living adjustments from the  
36 Retirees' Purchasing Power Protection Account.

37 (f) This section shall not be operative in any fiscal year  
38 during which, as determined by the board, distributions  
39 provided for by Section 24415 are being made.

40 ~~SEC. 68.~~



1 SEC. 73. Section 24412 of the Education Code is  
2 amended to read:

3 24412. (a) The annual revenues deposited to the  
4 Teachers' Retirement Fund pursuant to Section 6217.5 of  
5 the Public Resources Code are continuously appropriated  
6 without regard to fiscal year for the purposes of this  
7 section and shall be distributed annually in quarterly  
8 supplemental payments commencing on September 1 of  
9 each year to retired members, disabled members,~~and~~  
10 beneficiaries under the Defined Benefit Program, and  
11 annuity beneficiaries under the Defined Benefit  
12 Supplement Program. The amount available for  
13 distribution in any year shall be the income for that year  
14 from the sale or use of school lands and lieu lands, as  
15 estimated by the State Lands Commission prior to the  
16 beginning of the fiscal year, adjusted by the difference  
17 between the estimated and actual income for the  
18 preceding fiscal year. The board shall deduct from the  
19 revenues an amount necessary for administrative  
20 expenses to implement this section.

21 (b) The net revenues to be distributed shall be  
22 allocated among those retired members, disabled  
23 members, and beneficiaries whose allowances under the  
24 Defined Benefit Program and annuity beneficiaries  
25 *whose annuities* under the Defined Benefit Supplement  
26 Program~~whose annuities~~, after sequentially applying the  
27 annual improvement factor as defined in Section 22140  
28 and the annual supplemental payment as~~defined~~  
29 *specified* in Section 24411, if any, are below 75 percent of  
30 *the* original purchasing power. The purchasing power  
31 calculation for each individual allowance and annuity  
32 shall be based on the change in the All Urban California  
33 Consumer Price Index between June of the calendar year  
34 of retirement and June of the fiscal year preceding the  
35 fiscal year of the distribution. The allocation shall provide  
36 a pro rata share of the amount needed to restore the  
37 allowance or annuity payable, after sequential  
38 application of the current year annual improvement  
39 factor and the supplemental payment under Section  
40 24411, to 75 percent of *the* original purchasing power.

1 (c) The allowance or annuity increase shall not be  
2 applicable to annuities payable from the accumulated  
3 annuity deposit contributions or the accumulated  
4 tax-sheltered annuity contributions.

5 (d) In any year that the net revenues from school lands  
6 and lieu lands is greater than that needed to adjust the  
7 allowances of all retired members, disabled members,  
8 and beneficiaries under the Defined Benefit Program  
9 and annuities payable under the Defined Benefit  
10 Supplement Program to 75 percent of original purchasing  
11 power, the net revenues in excess of that needed for  
12 distribution shall be used by the board to reduce the  
13 unfunded actuarial obligation of the fund.

14 (e) The board shall inform each recipient of  
15 supplemental payments under this section that the  
16 increases are not cumulative and are not part of the base  
17 allowance or annuity.

18 ~~SEC. 69.~~

19 *SEC. 74.* Section 24415 of the Education Code is  
20 amended to read:

21 24415. (a) The proceeds of the Supplemental Benefit  
22 Maintenance Account shall be distributed annually in  
23 quarterly supplemental payments commencing on  
24 September 1, 1990, to retired members, disabled  
25 members, annuity beneficiaries, and beneficiaries. The  
26 amount available for distribution in any fiscal year shall  
27 not exceed the amount necessary to restore purchasing  
28 power up to 75 percent of the purchasing power of the  
29 initial monthly allowance or annuity after the application  
30 of all allowance and annuity increases authorized by this  
31 part, including those specified in Section 24412.

32 (b) The net revenues to be distributed shall be  
33 allocated among those retired members, disabled  
34 members, annuity beneficiaries, and beneficiaries whose  
35 allowances or annuities, after sequentially applying the  
36 annual improvement factor as defined in Sections 22140  
37 and 22141, and the annual supplemental payment as  
38 ~~defined~~ *specified* in Section 24412, have the lowest  
39 purchasing power percentage. The purchasing power  
40 calculation for each individual shall be based on the

1 change in the All Urban California Consumer Price Index  
2 between June of the calendar year of retirement and June  
3 of the fiscal year preceding the fiscal year of distribution.  
4 In any year in which the purchasing power of the  
5 allowances and annuities of all retired members, disabled  
6 members, annuity beneficiaries, and beneficiaries equals  
7 not less than 75 percent and additional funds remain from  
8 the allocation authorized by this section, those funds shall  
9 remain in the Supplemental Benefit Maintenance  
10 Account for allocation in future years.

11 (c) The allowance or annuity increase shall not be  
12 applicable to annuities payable from the accumulated  
13 annuity deposit contributions or the accumulated  
14 tax-sheltered annuity contributions.

15 (d) The—~~benefits~~ *increases* provided by subdivision  
16 (b) are not cumulative, not part of the base allowance or  
17 annuity, and will be payable only to the extent that funds  
18 are available from the Supplemental Benefit  
19 Maintenance Account. The board shall inform each  
20 recipient of the contents of this subdivision.

21 (e) The adjustments authorized by this section are  
22 vested only up to the amount payable as a result of the  
23 annual appropriation made pursuant to Section 22954 and  
24 shall not be included in the base allowance or annuity for  
25 purposes of calculating the annual improvement defined  
26 by Sections 22140 and 22141.

27 ~~SEC. 70.~~

28 *SEC. 75.* Section 24417 of the Education Code is  
29 amended to read:

30 24417. (a) The proceeds of an auxiliary  
31 Supplemental Benefit Maintenance Account shall be  
32 distributed annually in quarterly supplemental  
33 payments, commencing when funds in the Supplemental  
34 Benefit Maintenance Account are insufficient to support  
35 75 percent, to retired members, disabled members,  
36 annuity beneficiaries, and beneficiaries. The amount  
37 available for distribution in any fiscal year shall not  
38 exceed the amount necessary to restore purchasing  
39 power up to 75 percent of the purchasing power of the  
40 initial monthly allowance or annuity after the application

1 of all allowance and annuity increases authorized by this  
2 part, including those specified in ~~Section 24412 and~~  
3 ~~Section~~ *Sections 24412 and 24415*.

4 (b) The net revenues to be distributed shall be  
5 allocated among those retired members, disabled  
6 members, annuity beneficiaries, and beneficiaries whose  
7 allowances or annuities, after sequentially applying the  
8 annual improvement factor as defined in Sections 22140  
9 and 22141, and the annual supplemental payment as  
10 ~~defined in Section 24412 and Section 24415, have the~~  
11 *specified in Sections 24412 and 24415, have the* lowest  
12 purchasing power percentage. The purchasing power  
13 calculation for each individual shall be based on the  
14 change in the All Urban California Consumer Price Index  
15 between June of the calendar year of *the* benefit effective  
16 date and June of the fiscal year preceding the fiscal year  
17 of distribution.

18 (c) The allowance or annuity increase shall not be  
19 applicable to annuities payable from the accumulated  
20 annuity deposit contributions or the accumulated  
21 tax-sheltered annuity contributions.

22 (d) ~~The—benefits~~ *increases* provided by subdivision  
23 (b) are not cumulative, nor part of the base allowance or  
24 annuity, and will be payable only to the extent that funds  
25 are available from the Supplemental Benefit  
26 Maintenance Account and the auxiliary Supplemental  
27 Benefit Maintenance Account. The board shall inform  
28 each recipient of the contents of this subdivision.

29 (e) The distributions authorized by this section are  
30 vested only up to the amount payable as a result of the  
31 annual appropriation made pursuant to Section 22954 and  
32 shall not be included in the base allowance or annuity for  
33 purposes of calculating the annual improvement defined  
34 by ~~Section~~ *Sections 22140 and 22141*.

35 ~~SEC. 71.~~

36 *SEC. 76.* Section 24600 of the Education Code is  
37 amended to read:

38 24600. (a) A retirement allowance under this part  
39 begins to accrue on the effective date of the member's  
40 retirement and ceases on the earlier of the day of the

1 member's death or the day on which the retirement  
2 allowance *is* terminated for a reason other than the  
3 member's death.

4 (b) A retirement allowance payable to an option  
5 beneficiary under this part begins to accrue on the day  
6 following the day of the retired member's death and  
7 ceases on the day of the option beneficiary's death.

8 (c) A disability allowance under this part begins to  
9 accrue on the effective date of the member's disability  
10 and ceases on the earlier of the day of the member's death  
11 or the day on which the disability allowance *is* terminated  
12 for a reason other than the member's death.

13 (d) A family allowance under this part begins to  
14 accrue on the day following the day of the member's  
15 death and ceases on the day of the event that terminates  
16 eligibility for the allowance.

17 (e) A survivor benefit allowance payable to a  
18 surviving spouse under this part pursuant to Chapter 23  
19 (commencing with Section 23850) begins to accrue on  
20 the day the member would have attained 60 years of age  
21 or on the day following the day of the member's death, as  
22 elected by the surviving spouse, and ceases on the day of  
23 the surviving spouse's death.

24 (f) A child's portion of an allowance under this part  
25 begins to accrue on the effective date of that allowance  
26 and ceases on the earlier of either the termination of the  
27 child's eligibility or the termination of the allowance. An  
28 allowance payable because of a full-time student shall  
29 terminate on the first day of the month following the end  
30 of the school quarter or semester that is in progress in the  
31 month the full-time student attains 22 years of age. Any  
32 adjustment to an allowance because of a full-time  
33 student's periods of nonattendance shall be made as  
34 follows: the allowance shall cease on the first day of the  
35 month in which return to full-time attendance was  
36 required and shall begin to accrue again on the first day  
37 of the month in which full-time attendance resumes.

38 (g) Supplemental payments issued under this part  
39 pursuant to Sections 24701, 24702, and 24703 to retired  
40 members, disabled members, and beneficiaries shall

1 begin to accrue pursuant to Sections 24701, 24702, and  
2 24703 and shall cease to accrue as of the termination dates  
3 specified in subdivisions (a) to (f), inclusive.

4 (h) Notwithstanding any other provision of this part or  
5 other law, distributions payable under the plan with  
6 respect to the Defined Benefit Program and the Defined  
7 Benefit Supplement Program shall be made in  
8 accordance with applicable provisions of the Internal  
9 Revenue Code of 1986, as amended, and related  
10 regulations. The required beginning date of benefit  
11 payments that represent the entire interest of the  
12 member in the plan with respect to the Defined Benefit  
13 Program and the Defined Benefit Supplement Program  
14 shall be either:

15 (1) In the case of a refund of contributions, as  
16 described in Chapter ~~12~~ 18 (commencing with Section  
17 23100) of this part, and distribution of ~~the balance an~~  
18 *amount equal to the balance of credits* in a member's  
19 Defined Benefit Supplement account, as described in  
20 Chapter 38 (commencing with Section 25000) of this part,  
21 not later than April 1 of the calendar year following the  
22 later of (A) the calendar year in which the member  
23 attains 70<sup>1</sup>/<sub>2</sub> years of age or (B) the calendar year in  
24 which the member terminates employment within the  
25 meaning of subdivision (i).

26 (2) In the case of a retirement allowance, as defined in  
27 Section ~~22150~~ 22166, beginning not later than April 1 of  
28 the calendar year following the later of (A) the calendar  
29 year in which the member attains 70<sup>1</sup>/<sub>2</sub> years of age or  
30 (B) the calendar year in which the member terminates  
31 employment within the meaning of subdivision (i), to  
32 continue over the life of the member or the lives of the  
33 member and the member's option beneficiary, or over  
34 the life expectancy of the member or the life expectancy  
35 of the member and the member's option beneficiary.

36 (i) For purposes of subdivision (h), "terminates  
37 employment" means the later of:

38 (1) The date the member ceases to perform creditable  
39 service subject to coverage under this plan.

(2) The date the member ceases employment in a position subject to coverage under another public retirement system in this state if the compensation earnable while a member of the other system may be considered in the determination of final compensation pursuant to Section 22134, 22135, or 22136.

~~SEC. 72.~~

SEC. 77. Section 25000 of the Education Code is amended and renumbered to read:

25900. (a) The State Teachers' Retirement System shall develop a program to provide health care benefits for members, beneficiaries, children, and dependent parents.

(b) All costs incurred by the system pursuant to this part shall be paid by allocations from the Teachers' Retirement Fund as appropriated for that purpose.

(c) The health care benefits program developed by the system pursuant to this part shall not be implemented by the system unless specifically authorized by a statute enacted by the Legislature.

~~SEC. 73.~~

SEC. 78. Section 25100 of the Education Code is amended and renumbered to read:

25901. Unless the context otherwise requires, the definitions set forth in this chapter govern the construction of this part.

~~SEC. 74.~~

SEC. 79. Section 25110 of the Education Code is amended and renumbered to read:

25910. "Beneficiary" or "beneficiaries" means any person or entity receiving or entitled to receive an allowance and payment pursuant to Part 13 (commencing with Section 22000) or 14 (commencing with Section 26000) because of the disability or death of a member.

~~SEC. 75.~~

SEC. 80. Section 25115 of the Education Code is amended and renumbered to read:

25915. (a) "Dependent child" or "dependent children" means a member's unmarried offspring or



1 stepchild who is not older than 22 years of age and who  
2 is financially dependent upon the member on the date  
3 the member becomes eligible for benefits pursuant to this  
4 part.

5 (b) “Offspring” shall include the member’s child who  
6 is born within the 10-month period commencing on the  
7 date the member becomes eligible for benefits pursuant  
8 to this part.

9 (c) “Offspring” shall include a child adopted by the  
10 member.

11 (d) “Dependent child” shall not include the member’s  
12 offspring or stepchild who is adopted by a person other  
13 than the member’s spouse.

14 (e) “Financially dependent,” for purposes of this  
15 section, means that at least one-half of the child’s support  
16 was being provided by the member on the date the  
17 member became eligible for benefits pursuant to this  
18 part. The system may require that income tax records or  
19 other data be submitted to substantiate the child’s  
20 financial dependence. In the absence of substantiating  
21 documentation, the system may determine that the child  
22 was not dependent on the date the member became  
23 eligible for benefits pursuant to this part.

24 ~~SEC. 76.~~

25 *SEC. 81.* Section 25120 of the Education Code is  
26 amended and renumbered to read:

27 25920. “Dependent parent” or “dependent parents”  
28 means a natural parent or parents of a member, or a  
29 parent or parents who adopted the member prior to the  
30 earlier of the occurrence of the member’s marriage or his  
31 or her attaining 18 years of age, and who was receiving  
32 one-half or more of his or her support from the member  
33 at the time the member became eligible for benefits  
34 pursuant to this part.

35 ~~SEC. 77.~~

36 *SEC. 82.* Section 25125 of the Education Code is  
37 amended and renumbered to read:

38 25925. “Member” means a current or retired  
39 employee of an employer, as defined in Section 22131.

40 ~~SEC. 78.~~



1 SEC. 83. Chapter 38 (commencing with Section  
2 25000) is added to Part 13 of Division 1 of Title 1 of the  
3 Education Code, to read:

4  
5 CHAPTER 38. DEFINED BENEFIT SUPPLEMENT PROGRAM

6  
7 Article 1. General Provisions

8  
9 25000. The Defined Benefit Supplement Program is  
10 hereby established to provide supplemental benefits for  
11 members of the Defined Benefit Program. The Teachers'  
12 Retirement Board shall administer the Defined Benefit  
13 Supplement Program in accordance with the provisions  
14 of this chapter.

15 25000.5. (a) *The design and administration of the*  
16 *Defined Benefit Supplement Program shall comply with*  
17 *the applicable provisions of the Internal Revenue Code*  
18 *and the Revenue and Taxation Code. The Teachers'*  
19 *Retirement Board may amend the plan with respect to*  
20 *the Defined Benefit Supplement Program to do any of*  
21 *the following:*

22 (1) *Comply with applicable federal laws and*  
23 *regulations to the extent permitted by law.*

24 (2) *Adopt or amend actuarial assumptions.*

25 (3) *Designate the initial plan year.*

26 (4) *Establish or revise the minimum interest rate.*

27 (5) *Declare an additional earnings credit.*

28 (6) *Declare an additional annuity credit.*

29 (b) *If a person becomes entitled to a distribution from*  
30 *the program under this part that constitutes an eligible*  
31 *rollover distribution within the meaning of Section*  
32 *401(a)(31) of Title 26 of the United States Code, the*  
33 *person may elect under terms and conditions established*  
34 *by the board to have the distribution or a portion thereof*  
35 *paid directly to a plan that constitutes an eligible*  
36 *retirement plan within the meaning of Section*  
37 *401(a)(31), as specified by that person. Upon the exercise*  
38 *of the election by a person with respect to a distribution*  
39 *or a portion thereof, the distribution from the program of*  
40 *the amount so designated, once distributable under the*

1 *terms of the program, shall be made in the form of a direct*  
2 *rollover to the eligible retirement plan so specified.*

3 25000.7. A member shall have a vested right to a  
4 benefit under the Defined Benefit Supplement Program  
5 in an amount equal to the balance of credits in the  
6 member's Defined Benefit Supplement account. That  
7 right shall accrue when the member's Defined Benefit  
8 Supplement account is established pursuant to Section  
9 25004.

10  
11 Article 2. Program Accounts  
12

13 25001. (a) The board shall establish a segregated  
14 account within the retirement fund to be known as the  
15 Gain and Loss Reserve, and the board shall have sole  
16 authority over the reserve. The Gain and Loss Reserve  
17 shall be maintained for the Defined Benefit Supplement  
18 Program and may be used to credit interest at the  
19 minimum interest rate for plan years in which the board  
20 determines that the obligation cannot be met from  
21 investment earnings. The Gain and Loss Reserve may also  
22 be used to provide additions to the Annuitant Reserve for  
23 monthly annuities payable under the Defined Benefit  
24 Supplement Program.

25 (b) The board shall establish a goal for the balance of  
26 the Gain and Loss Reserve and periodically shall review  
27 the sufficiency of the reserve based on the  
28 ~~recommendation~~ *recommendations* of the actuary.

29 (c) The board may allocate excess earnings of the plan  
30 with respect to assets attributable to the Defined Benefit  
31 Supplement Program to the Gain and Loss Reserve. Upon  
32 the recommendation of the actuary, the board shall  
33 determine annually the amount, if any, that is to be  
34 allocated to the Gain and Loss Reserve for that plan year.  
35 *That determination shall be made upon recommendation*  
36 *of the actuary after adoption of the actuarial valuation*  
37 *undertaken pursuant to Section 22311.5 following the*  
38 *plan year, but no later than June 30 following the end of*  
39 *the plan year.* In determining whether to allocate excess

1 earnings to the Gain and Loss Reserve, the board shall  
2 consider all of the following:

3 (1) Whether or not the plan has excess earnings  
4 attributable to the Defined Benefit Supplement  
5 Program.

6 (2) The sufficiency of the Gain and Loss Reserve in  
7 light of the goal established pursuant to subdivision (b).

8 (3) The amount required for the plan's administrative  
9 costs with respect to the Defined Benefit Supplement  
10 Program.

11 (4) The amount required for crediting members'  
12 accounts at the minimum interest rate.

13 25002. The board shall establish and maintain a  
14 segregated account within the retirement fund to be  
15 known as the Annuitant Reserve and the board shall have  
16 sole authority over the reserve. The Annuitant Reserve  
17 shall be used for the payment of annuities under the  
18 Defined Benefit Supplement Program. The board shall  
19 transfer the balance in a member's accumulated Defined  
20 Benefit Supplement account to the reserve when a  
21 benefit is to be paid as an annuity.

22 25003. The board may transfer amounts between the  
23 Gain and Loss Reserve and the Annuitant Reserve upon  
24 the recommendation of the actuary.

25 25004. Member accounts under the Defined Benefit  
26 Supplement Program shall be nominal accounts. Member  
27 contributions and employer contributions on behalf of  
28 the member ~~shall be credited that are specifically~~  
29 *identified as creditable to the Defined Benefit*  
30 *Supplement Program shall be treated as credits* to the  
31 member's Defined Benefit Supplement account,  
32 together with interest credited at the minimum interest  
33 rate and additional earnings credit thereon. The balance  
34 *of credits* in a member's account shall determine the  
35 amount to which the member is entitled under the  
36 Defined Benefit Supplement Program upon termination  
37 of employment subject to coverage by the plan. The  
38 member shall not have a right or claim to any specific  
39 assets of the account, program, plan, or retirement fund.

1 25005. (a) Prior to July 1 of the initial plan year, and  
2 prior to the beginning of each plan year thereafter, the  
3 board shall adopt a plan amendment with respect to the  
4 Defined Benefit Supplement Program to declare the rate  
5 at which interest shall be credited to Defined Benefit  
6 Supplement accounts for the following plan year.

7 (b) The minimum interest rate declared annually by  
8 the board shall be in accordance with applicable federal  
9 laws and related regulations *and shall not be less than the*  
10 *rate at which interest is credited under the Defined*  
11 *Benefit Program.*

12 (c) Interest shall be added to Defined Benefit  
13 Supplement accounts and shall be computed at the  
14 minimum interest rate on the balance in a member's  
15 account and shall be compounded daily.

16 (d) Credited interest shall not be applied to  
17 ~~accumulated Defined Benefit Supplement contributions~~  
18 ~~that have the balance of credits in a member's Defined~~  
19 ~~Benefit Supplement account that has been transferred to~~  
20 ~~the Annuitant Reserve.~~

21 25006. (a) The board may declare an additional  
22 earnings credit to be applied to Defined Benefit  
23 Supplement accounts for a plan year. Prior to declaring  
24 an additional earnings credit, the board shall consider all  
25 of the following:

26 (1) Whether the plan's investment earnings with  
27 respect to the Defined Benefit Supplement Program for  
28 the plan year exceed the amount required to meet the  
29 liabilities identified in paragraphs (2), (3), and (4).

30 (2) The amount required for the plan year to credit  
31 interest on members' nominal accounts at the minimum  
32 interest rate.

33 (3) The amount of the plan's administrative expenses  
34 with respect to the Defined Benefit Supplement  
35 Program for the plan year.

36 (4) The sufficiency of the Gain and Loss Reserve and  
37 whether any additions must be made to that reserve.

38 (b) For any plan year that the board declares an  
39 additional earnings credit, the board shall specify the  
40 amount to be added to members' accounts as a

1 percentage increase. The additional earnings credit shall  
2 be applied to the balance of credits in each member's  
3 ~~nominal~~ *Defined Benefit Supplement* account as of the  
4 last day of the plan year and shall be applied as of the date  
5 specified by the board. The additional earnings credit  
6 shall not be added to ~~accumulated Defined Benefit~~  
7 ~~Supplement contributions that have the balance of~~  
8 *credits in a member's Defined Benefit Supplement*  
9 *account that has been transferred to the Annuitant*  
10 *Reserve.*

11 (c) The declaration of an additional earnings credit  
12 shall be made as a plan amendment adopted by the board  
13 with respect to the Defined Benefit Supplement  
14 *Program upon recommendation of the actuary after*  
15 *adoption of the actuarial valuation undertaken pursuant*  
16 *to Section 22311.5, following the plan year, but no later*  
17 *than June 30 following the end of the plan year.*

18 25007. When the board declares an additional  
19 earnings credit for a plan year, the board also may declare  
20 *by plan amendment* an additional annuity credit, for  
21 members and *annuity* beneficiaries who are receiving an  
22 annuity, based on the balance of *credits* transferred from  
23 the member's Defined Benefit Supplement account to  
24 the Annuitant Reserve. The additional annuity credit, if  
25 declared by the board, shall be paid in a lump-sum. In  
26 addition to the considerations specified in Section ~~24242~~  
27 25006, prior to declaring an additional earnings credit, the  
28 board shall consider both of the following:

29 (a) The amount required for the plan year to apply the  
30 additional earnings credit to the Defined Benefit  
31 Supplement accounts of members who are not receiving  
32 an annuity under the Defined Benefit Supplement  
33 Program for the plan year.

34 (b) Any other obligations incurred by the plan with  
35 respect to the Defined Benefit Supplement Program.

36 25008. (a) A member's right to ~~the balance~~ *an*  
37 *amount equal to the balance of credits* in the member's  
38 Defined Benefit Supplement account shall be vested at  
39 the time contributions are initially credited to the  
40 member's account.

(b) A partial distribution of the balance in a member's Defined Benefit Supplement account shall not be made, except as provided in Section ~~25015 or 25022~~ 25009 or 25016.

### Article 3. Retirement Benefits

25009. (a) A member's retirement benefit under the Defined Benefit Supplement Program shall be an amount equal to the balance *of credits* in the member's Defined Benefit Supplement account on the date the retirement benefit becomes payable.

(b) A retirement benefit shall be a lump-sum payment, or an annuity payable in monthly installments, or a combination of both a lump-sum payment and an annuity, as elected by the member on the application for a retirement benefit.

(c) Upon distribution of the entire retirement benefit in a lump-sum payment, no other benefit shall be payable to the member or the member's beneficiary under the Defined Benefit Supplement Program.

25010. (a) A member who meets the following eligibility requirements may receive a retirement benefit under the Defined Benefit Supplement Program:

(1) The member has terminated all employment to perform creditable service subject to coverage by the plan. The member's employer, or employers if the member has multiple employers, shall certify on a form prescribed by the system that the member's employment has been terminated.

(2) The member has retired for service under the Defined Benefit Program pursuant to Chapter 27 (commencing with Section 24201).

(b) A member shall submit an application for a retirement benefit on a form prescribed by the system.

25011. (a) A member may elect to receive the retirement benefit as an annuity payable in monthly installments, provided the balance *of credits* in the member's Defined Benefit Supplement account on the date the retirement benefit becomes payable ~~is at least~~

1 ~~equal to~~ *equals at least* three thousand five hundred  
2 dollars (\$3,500).

3 (b) If the member elects to receive the retirement  
4 benefit as an annuity, the member shall elect one of the  
5 following forms of payment:

6 (1) A single life annuity without a cash refund feature.  
7 This form of payment is the actuarial equivalent of the  
8 amount that would be payable to the member if the  
9 member elected to receive the retirement benefit in a  
10 lump-sum payment. Upon the death of the member, no  
11 other benefit shall be payable to the member's  
12 beneficiary under the Defined Benefit Supplement  
13 Program.

14 (2) A single life annuity with a cash refund feature.  
15 This form of payment is the actuarial equivalent of the  
16 amount that would be payable to the member if the  
17 member elected to receive the retirement benefit in a  
18 lump-sum payment. Upon the death of the member, *an*  
19 *amount equal to* the remaining balance, if any, of ~~the~~  
20 ~~amount~~ *credits* transferred from the member's Defined  
21 Benefit Supplement account to the Annuitant Reserve  
22 shall be returned in a lump-sum payment to the  
23 member's beneficiary.

24 (3) A 100-percent joint and survivor annuity. This  
25 form of payment is the actuarial equivalent of the  
26 lump-sum payment modified to be payable over the  
27 combined lives of the member and the member's *annuity*  
28 beneficiary. Upon the death of the member, the same  
29 monthly amount that was payable to the member shall be  
30 paid monthly to the member's surviving *annuity*  
31 beneficiary. If the *annuity* beneficiary predeceases the  
32 member, the annuity shall be payable to the member  
33 without modification as of the day following the date of  
34 the *annuity* beneficiary's death upon receipt by the  
35 system of proof of the *annuity* beneficiary's death.

36 (4) A 50-percent joint and survivor annuity. This form  
37 of payment is the actuarial equivalent of the lump-sum  
38 payment modified to be payable over the combined lives  
39 of the member and the member's *annuity* beneficiary.  
40 Upon the death of the member, one-half of the monthly



1 amount that was payable to the member shall be paid  
2 monthly to the member's surviving ~~beneficiary~~. ~~If the~~  
3 ~~annuity beneficiary. If the annuity~~ beneficiary  
4 predeceases the member, the annuity shall be payable to  
5 the member without modification as of the day following  
6 the date of the *annuity* beneficiary's death upon receipt  
7 by the system of proof of the *annuity* beneficiary's death.

8 (5) A period certain annuity. This form of payment is  
9 an annuity equal to the ~~balance~~ *actuarial equivalent of*  
10 ~~the balance of credits~~ in the member's Defined Benefit  
11 Supplement account on the date the retirement benefit  
12 becomes payable. The annuity shall be payable over a  
13 specified number of years, from a minimum of three years  
14 to a maximum of 10 years, until the annuity amount paid  
15 equals the amount *of credits* that was in the member's  
16 Defined Benefit Supplement account. However, the  
17 annuity period shall not exceed the life expectancy of the  
18 member, or the life expectancy of the member and the  
19 member's annuity beneficiary. ~~If the member elects a~~  
20 ~~single life annuity and the member's death occurs prior~~  
21 ~~to the end of the period certain, the remaining balance~~  
22 ~~of payments shall be paid to the member's beneficiary~~  
23 ~~pursuant to Section 23300. If the member elects a joint~~  
24 ~~and survivor annuity and the member's death occurs~~  
25 ~~prior to the end of the period certain, the remaining~~  
26 ~~balance of payments shall be paid to the member's~~  
27 ~~annuity beneficiary pursuant to Section 25025. 25022.~~

28 (c) *The actuarial equivalent of the balance of credits*  
29 *in the member's Defined Benefit Supplement account*  
30 *shall reflect increases in annuity payments to be made in*  
31 *the future pursuant to Sections 24402 and 24415, unless*  
32 *the member elected a period certain annuity. The*  
33 *amount attributable to future purchasing power*  
34 *payments shall be deposited in the Supplemental Benefit*  
35 *Maintenance Account established by Section 24400.*

36

37 *Article 4. Annuities*

38

39 25012. An annuity payable under the Defined Benefit  
40 Supplement Program shall be determined as a value



1 actuarially equivalent to the balance *of credits* in the  
2 member's Defined Benefit Supplement account on the  
3 date the benefit becomes payable and after any  
4 lump-sum payment. If a single life annuity is elected, the  
5 annuity shall be calculated using the age of the member  
6 on the date the benefit becomes payable. If a joint and  
7 survivor annuity is elected, the annuity shall be calculated  
8 using the age of the member and the age of the member's  
9 beneficiary on the date the benefit becomes payable.

10 25013. Upon election by the member to receive a  
11 benefit payable under the Defined Benefit Supplement  
12 Program in the form of an annuity, the balance *of credits*  
13 in the member's Defined Benefit Supplement account  
14 shall be transferred to the Annuitant Reserve.

15 25014. (a) If a member reinstates from service  
16 retirement under this part, payment of ~~an~~ *a retirement*  
17 annuity based on the balance *of credits* that was  
18 transferred from the member's ~~accumulated~~ Defined  
19 Benefit Supplement account to the Annuitant Reserve  
20 shall terminate. The member's Defined Benefit  
21 Supplement account shall be credited with the actuarial  
22 equivalent of the member's annuity as of the date the  
23 annuity is terminated and the Annuitant Reserve shall be  
24 reduced by the amount credited to the member's  
25 account.

26 (b) The actuarial equivalent of the annuity on the date  
27 the annuity is terminated shall be calculated using the  
28 actuarial assumptions that were in effect on the date the  
29 *retirement* annuity became payable. In determining the  
30 actuarial equivalent, the age of the member on the date  
31 the ~~benefit~~ *retirement annuity* became payable shall be  
32 used if the member was receiving a single life annuity. If  
33 the member was receiving a joint and survivor annuity,  
34 the age of the member and the age of the member's  
35 *annuity* beneficiary on the date the ~~benefit~~ *retirement*  
36 *annuity* became payable shall be used to determine the  
37 actuarial equivalent.

38 (c) If the member subsequently retires again, an  
39 annuity based on the remaining balance *of credits* in the  
40 member's Defined Benefit Supplement account at the

1 time of the subsequent retirement shall become payable  
2 pursuant to Section 24202.5 and the balance *of credits in*  
3 *the member's Defined Benefit Supplement account* shall  
4 be transferred to the Annuitant Reserve.

5 25015. (a) If a member elects to receive a benefit  
6 payable under the Defined Benefit Supplement Program  
7 as a joint and survivor annuity, the member shall  
8 designate an annuity beneficiary on the benefit  
9 application. The annuity beneficiary designation shall not  
10 be changed after the date the benefit becomes payable to  
11 the member, except as provided in Chapter 12  
12 (commencing with Section 22650).

13 (b) A member who elects to receive a joint and  
14 survivor annuity may designate more than one annuity  
15 beneficiary. If the member designates multiple annuity  
16 beneficiaries, the member shall specify the percentage of  
17 the annuity payable to each annuity beneficiary upon the  
18 death of the member. The annuity amount payable to the  
19 member during his or her lifetime shall be modified to be  
20 payable over the combined lives of the member and the  
21 annuity beneficiaries.

22 (c) If the member predeceases an annuity beneficiary,  
23 the annuity beneficiary may designate a payee to receive  
24 an amount that may be payable in a lump-sum pursuant  
25 to ~~subdivision (e) of~~ Section 25023 upon the death of the  
26 annuity beneficiary.

## 27 Article 5. Disability Benefits

28  
29  
30 25016. (a) A member's disability benefit under the  
31 Defined Benefit Supplement Program shall be an amount  
32 equal to the balance *of credits* in the member's Defined  
33 Benefit Supplement account on the date the ~~member's~~  
34 disability benefit becomes payable.

35 (b) A disability benefit shall be a lump-sum payment,  
36 or an annuity payable in monthly installments, or a  
37 combination of both a lump-sum payment and an  
38 annuity, as elected by the member on the application for  
39 a disability benefit.

(c) Upon distribution of ~~a the entire~~ disability benefit in a lump-sum payment, no other benefit shall be payable to the member or the member's beneficiary under the Defined Benefit Supplement Program.

25017. (a) A member who meets the following eligibility requirements may receive a disability benefit under the Defined Benefit Supplement Program:

(1) The member has terminated all *employment to perform* creditable service subject to coverage by the plan. The member's employer, or employers if the member has multiple employers, shall certify on a form prescribed by the system that the ~~member has terminated all creditable service.~~ *member's employment has been terminated.*

(2) The member has been approved to receive a disability allowance pursuant to ~~Section 24006 Chapter 25 (commencing with Section 24001)~~ or a disability retirement allowance pursuant to ~~Section 24106 Chapter 26 (commencing with Section 24100)~~ under the Defined Benefit Program.

(b) The member, or the member's employer or conservator on behalf of the member, shall submit an application for a disability benefit on a form prescribed by the system.

25018. (a) A member may elect to receive the disability benefit as an annuity ~~provided the balance payable in monthly installments provided the balance of credits~~ in the member's Defined Benefit Supplement account on the date the disability benefit becomes payable equals at least three thousand five hundred dollars (\$3,500).

(b) If the member elects to receive the disability benefit as an annuity, the member shall elect one of the following forms of payment:

(1) A single life annuity without a cash refund feature. This form of payment is the actuarial equivalent of the amount that would be payable to the member if the member elected to receive the ~~retirement~~ *disability* benefit in a lump-sum payment. Upon the death of the member, no other benefit shall be payable to the

1 member's beneficiary under the Defined Benefit  
2 Supplement Program.

3 (2) A single life annuity with a cash refund feature.  
4 This form of payment is the actuarial equivalent of the  
5 amount that would be payable to the member if the  
6 member elected to receive the disability retirement  
7 benefit in a lump-sum payment. Upon the death of the  
8 ~~member, the remaining balance, if any, of the amount~~  
9 *member, an amount equal to the remaining balance, if*  
10 *any, of credits* transferred from the member's Defined  
11 Benefit Supplement account to the Annuitant Reserve  
12 shall be returned in a lump-sum payment to the  
13 member's beneficiary.

14 (3) A 100-percent joint and survivor annuity. This  
15 form of payment is the actuarial equivalent of the  
16 lump-sum payment modified to be payable over the  
17 combined lives of the member and the member's *annuity*  
18 beneficiary. Upon the death of the member, the same  
19 monthly amount that was payable to the member shall be  
20 paid monthly to the member's surviving *annuity*  
21 beneficiary. If the *annuity* beneficiary predeceases the  
22 member, the annuity shall be payable to the member  
23 without modification as of the day following the date of  
24 the *annuity* beneficiary's death upon receipt by the  
25 system of proof of the *annuity* beneficiary's death.

26 (4) A 50-percent joint and survivor annuity. This form  
27 of payment is the actuarial equivalent of the lump-sum  
28 payment modified to be payable over the combined lives  
29 of the member and the member's *annuity* beneficiary.  
30 Upon the death of the member, one-half of the monthly  
31 amount that was payable to the member shall be paid  
32 monthly to the member's surviving *annuity* beneficiary.  
33 If the *annuity* beneficiary predeceases the member, the  
34 annuity shall be payable to the member without  
35 modification as of the day following the date of the  
36 *annuity* beneficiary's death upon receipt by the system of  
37 proof of the *annuity* beneficiary's death.

38 (5) A period certain annuity. This form of payment is  
39 an annuity equal to the ~~balance~~ *actuarial equivalent of*  
40 *the balance of credits* in the member's Defined Benefit

1 Supplement account on the date the disability benefit  
2 becomes payable. The annuity shall be payable over a  
3 specified number of years, from a minimum of three years  
4 to a maximum of 10 years, until the annuity amount paid  
5 equals the amount *of credits* that was in the member's  
6 Defined Benefit Supplement account. However, the  
7 annuity period shall not exceed the life expectancy of the  
8 member, or the life expectancy of the member and the  
9 member's annuity beneficiary. If the ~~member elects a~~  
10 ~~single life annuity and the member's death occurs prior~~  
11 ~~to the end of the period certain, the remaining balance~~  
12 ~~of payments shall be paid to the member's beneficiary~~  
13 ~~pursuant to Section 23300. If the member elects a joint~~  
14 ~~and survivor annuity and the member's death occurs~~  
15 ~~prior to the end of the period certain, the remaining~~  
16 ~~balance of payments shall be paid to the member's~~  
17 ~~annuity beneficiary pursuant to Section 25025.~~ 25022.

18 *(c) The actuarial equivalent of the balance of credits*  
19 *in the member's Defined Benefit Supplement account*  
20 *shall reflect increases in annuity payments to be made in*  
21 *the future pursuant to Sections 24402 and 24415, unless*  
22 *the member elected a period certain annuity. The*  
23 *amount attributable to future purchasing power*  
24 *payments shall be deposited in the Supplemental Benefit*  
25 *Maintenance Account established by Section 24400.*

26 25019. (a) If a member's disability allowance or  
27 disability retirement allowance under this part is  
28 terminated, payment of a disability annuity based on the  
29 balance *of credits* transferred from the member's  
30 Defined Benefit Supplement account to the Annuitant  
31 Reserve also shall ~~be terminated~~ *terminate*. The  
32 member's Defined Benefit Supplement account shall be  
33 credited with the actuarial equivalent of the member's  
34 annuity as of the date the annuity is terminated and the  
35 Annuitant Reserve shall be reduced by the amount  
36 credited to the member's account.

37 (b) The actuarial equivalent of the annuity on the date  
38 the annuity is terminated shall be calculated using the  
39 actuarial assumptions that were in effect on the date  
40 ~~when~~ the disability annuity became payable. In

determining the actuarial equivalent, the age of the member on the date the disability annuity became payable shall be used if the member was receiving a single life annuity. If the member was receiving a joint and survivor annuity, the age of the member and the age of the member's *annuity* beneficiary on the date the disability annuity became payable shall be used to determine the actuarial equivalent.

~~(e) If a disability annuity subsequently becomes payable pursuant to Section 25024, the annuity shall be based on the remaining balance in the member's Defined Benefit Supplement account at the time the subsequent disability annuity becomes payable. At that time, the balance~~

*(c) If a disability allowance or disability retirement allowance subsequently becomes payable again, an annuity based on the remaining balance of credits in the member's Defined Benefit Supplement account at the time of the subsequent disability or disability retirement shall become payable and the balance of credits in the member's Defined Benefit Supplement account shall be transferred to the Annuitant Reserve.*

#### Article 6. Final Benefits

25020. (a) A final benefit under the Defined Benefit Supplement Program shall become payable to the member's beneficiary when the system receives proof of the member's death.

(b) If the member's death occurs before an annuity under the Defined Benefit Supplement Program becomes payable, the final benefit shall be an amount equal to the balance *of credits* in the member's Defined Benefit Supplement account on the date of the member's death.

(c) Upon distribution of a final benefit in a lump-sum payment, no other benefit shall be payable under the Defined Benefit Supplement Program to the member's beneficiary.

1 25021. (a) A beneficiary may elect to receive the  
2 final benefit payable under the Defined Benefit  
3 Supplement Program as an annuity—~~provided the balance~~  
4 *payable in monthly installments provided the balance of*  
5 *credits* in the member's Defined Benefit Supplement  
6 account equals at least three thousand five hundred  
7 dollars (\$3,500).

8 (b) A beneficiary who elects to receive an annuity  
9 shall elect one of the following forms of payment:

10 (1) A single life annuity without a cash refund feature.  
11 This form of payment is the actuarial equivalent of the  
12 amount that would be payable to the beneficiary if the  
13 beneficiary elected to receive the final benefit in a  
14 lump-sum payment. The annuity shall cease to be payable  
15 upon the death of the beneficiary, and no other benefit  
16 will be payable under the Defined Benefit Supplement  
17 Program *because of the death of the member and the*  
18 *member's beneficiary.*

19 (2) A period certain annuity. This form of payment is  
20 an annuity equal to the—~~balance~~ *the actuarial equivalent*  
21 *of the balance of credits* in the member's Defined Benefit  
22 Supplement account on the date of the member's death.  
23 The annuity shall be payable over a specified number of  
24 years, from a minimum of three years to a maximum of  
25 10 years, but not to exceed the life expectancy of the  
26 beneficiary, until the annuity *amount* paid equals the  
27 amount *of credits* that was in the member's Defined  
28 Benefit Supplement account. The beneficiary may  
29 designate a payee to receive the remaining balance of  
30 payments if the beneficiary's death occurs prior to the  
31 end of the period certain.

32 (c) *The actuarial equivalent of the balance of credits*  
33 *in the member's Defined Benefit Supplement account*  
34 *shall reflect increases in annuity payments to be made in*  
35 *the future pursuant to Sections 24402 and 24415, unless*  
36 *the member elected a period certain annuity. The*  
37 *amount attributable to future purchasing power*  
38 *payments shall be deposited in the Supplemental Benefit*  
39 *Maintenance Account established by Section 24400.*



1 25022. (a) If the death of a member occurs while the  
2 member is receiving an annuity under the Defined  
3 Benefit Supplement Program, the final benefit shall be  
4 payable in accordance with the terms of the annuity  
5 elected by the member.

6 (b) If the member was receiving a single life annuity  
7 without a cash refund feature, a final benefit shall not be  
8 payable.

9 (c) If the member was receiving a single life annuity  
10 with a cash refund feature, the final benefit shall be  
11 payable in a lump-sum to the member's beneficiary.

12 (d) If the member was receiving a joint and survivor  
13 annuity, the annuity shall continue to be paid to the  
14 surviving designated annuity beneficiary. If the  
15 designated annuity beneficiary predeceases the member,  
16 a final benefit shall not be payable.

17 (e) If the member was receiving a period certain  
18 annuity, the remaining balance of payments shall be paid  
19 to the annuity beneficiary designated by the member.

20 25023. (a) Upon the death of an annuity beneficiary  
21 who was receiving an annuity under a joint and survivor  
22 annuity elected by the member no further payment shall  
23 be made.

24 (b) If the annuity beneficiary was receiving an annuity  
25 under a joint and survivor option, no further payment  
26 shall be made.

27 (c) Upon the death of a beneficiary who was receiving  
28 a single life annuity without a cash refund feature, no  
29 further payment shall be made.

30 (d) Upon the death of a beneficiary who was receiving  
31 a period certain annuity, the remaining balance of  
32 payments shall be paid in a lump-sum to the payee  
33 designated by the beneficiary pursuant to subdivision (c)  
34 of Section 25015.

35  
36 Article 7. Termination Benefits  
37

38 25024. (a) Upon the termination of all employment  
39 to perform creditable service subject to coverage under  
40 the plan for a reason other than retirement, disability, or



1 death, a member shall be eligible for a termination  
2 benefit under the Defined Benefit Supplement Program.  
3 The member's employer, or employers if the member has  
4 multiple employers, shall certify on a form prescribed by  
5 the system that the member's employment has been  
6 terminated.

7 (b) A member shall submit an application for a  
8 termination benefit on a form prescribed by the system.

9 (c) The termination benefit shall be a lump-sum  
10 payment that is equal ~~to the balance~~ *in amount to the*  
11 *balance of credits* in the member's Defined Benefit  
12 Supplement account.

13 (d) Upon distribution of the termination benefit, no  
14 further benefit shall be payable to the member or the  
15 member's beneficiary under the Defined Benefit  
16 Supplement Program.

17 25025. A termination benefit under the Defined  
18 Benefit Supplement Program shall be payable after one  
19 calendar year has elapsed following the date the member  
20 terminated employment as specified in Section 25024. If  
21 the member performs creditable service within one year  
22 of the prior termination of employment, the termination  
23 benefit shall not be payable.

24 25026. The member may cancel an application for a  
25 termination benefit at any time prior to distribution of  
26 the benefit.

27 \_\_\_\_\_

28 CORRECTIONS

29 Text — Pages 50 and 68.

30 \_\_\_\_\_

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